ECONOMICS, LABOR & BUSINESS

Coping with Debt

"Are the LDCs In Over Their Heads?" by Harold van B. Cleveland and W. H. Bruce Brittain, in *Foreign Affairs* (July 1977), 428 East Preston St., Baltimore, Md. 21202.

To counter the recent recession's effects and the still rising costs of oil, less developed countries (LDCs) broke with precedent and turned to commercial banks in the United States and Europe for financial assistance. By the end of 1975, 71 Third World nations were $90.5 billion in debt, $25 billion of it owed to private banks. (Total debt is now closer to $160 billion.) The 21 U.S. banks that account for nearly all foreign lending have invested the equivalent of 10 percent of their assets in loans to these 71 countries.

In some financial circles, say Citibank officials Cleveland and Brittain, it is believed that many LDCs "will continue to borrow heavily until their massive debt burden reaches the point where they are unable to service it." This has created fears of a worldwide financial crisis, should the banks suffer large losses on such loans.

Although Citibank, the authors' employer, accounts for one-fifth of total foreign lending by U.S. banks, the authors are optimistic. The build-up of the LDC debt, they argue, was sudden but temporary. Even now, the flow of capital from the steadily recovering industrialized world has enabled developing nations to augment domestic savings and investments.

Most of the LDC debt, the authors add, is owed by larger, more advanced countries (such as Brazil and India, which each owe more than $12 billion) that are better able to handle their financial affairs. Loan defaults, if they do occur, are likely to involve only "temporary suspension" of debt-service payments until a rescheduling is arranged.

Recession in Russia?

"Soviet Economic Problems and Prospects" prepared by the Central Intelligence Agency (July 1977), Joint Economic Committee, U.S. Congress, Washington, D.C. 20510.

The state-run Soviet economy, largely insulated from the West's recession of the early 1970s, now faces "serious strains" of its own. According to the CIA, slackened growth in the urban labor force, slowdowns in productivity, lack of "hard" Western currency to pay for technological imports, and an uncertain agricultural base will combine with a "looming" energy crisis to create a sharp "fall-off" in Soviet economic growth within the next five years.

Energy aside, the labor shortage will be Moscow's most pressing problem. A decline in birthrates, evident in the 1960s, will become more acute by the mid-1980s when the working-age population will grow at a rate of less than one-half percent annually. All available surplus rural labor has already been siphoned off into industry.

Moreover, notes the CIA, it is "highly probable" that Soviet farm production will drop significantly during the next decade. Increased crop yields in most years since 1963 have been due to a "favorable climatic deviation," which may have ended with the crippling 1975 drought. Food shortages will "further complicate" the U.S.S.R.'s foreign trade picture by forcing the Russians to increase purchases of U.S. grain during a period of "hard-currency stringency." This in turn will "squeeze severely" Moscow's capacity to import industrial technology.

While Russian leaders are aware of the impending crisis, says the CIA, economic planning remains "unrealistic." Without immediate action on energy (no comprehensive energy plan seems to be forthcoming), annual Soviet GNP growth will decline from its present rate of 4 percent to between 2 and 2.5 percent.

Eastern Cowpokes

"Cattle-Raisers of the Old Southwest: A Reinterpretation" by John D. W. Guice, in *The Western Historical Quarterly* (April 1977), Utah State University, Logan, Utah 84322.

The origins of the giant Great Plains cattle industry after the Civil War preoccupies few modern scholars. Long ago, historians documented the pervasive influence of Spanish ranchers west of the Mississippi. But even the patron saint of Western historians, Frederick Jackson Turner, acknowledged that the ranchers of Texas were "guided" by the "experience of the Carolina cowpens."

Spanish influence came later, suggests Guice, a historian at the University of Southern Mississippi. He writes that the cattle industry "advanced from the East"—from the "old Southwest" states of Tennessee, Alabama, Mississippi, and the Carolinas—until it "established itself" under the perfect conditions found in the open West.

Guice criticizes Southern historians, "distracted" by the Civil War and slavery, for overlooking a fundamental aspect of ante-bellum farm life. One quarter of the slaves on large cotton plantations raised livestock; in the late 18th and early 19th centuries, cattle herds in the South increased rapidly in size and value. (When Alabama settlers sought federal reparations after devastating Indian raids in 1816, one-third of all claims were for lost cattle.) Large herds were reported on the eastern side of the Mississippi as early as 1724. Only the merger of Spanish herding techniques—and particularly longhorn geneology—with an *already developed* cattle industry, says Guice, can account for the "extravaganza" that later swept across the Great Plains.

In this light, Guice concludes, the surprise voiced in the late 1960s at the mention of black cowboys seems "ludicrous." Mounted slaves were common. Indeed one traveler in 1818 described Southern blacks as "among the best horsemen in the world."