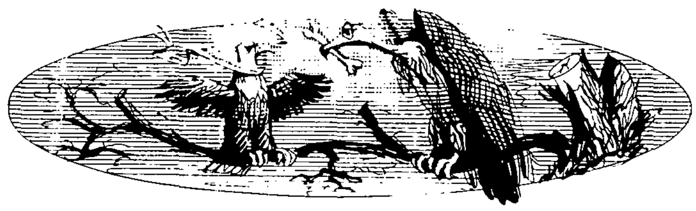
THE NATION'S PULSE



LETTER FROM HOLLYWOOD

by Benjamin J. Stein

You probably wonder what I've been up to since you last heard from me. I'll make it easy for you. You won't have to guess. I'll just tell you.

First of all, there are a couple of new fads sweeping the really cool people in West Hollywood and Beverly Hills. These are so hot that they haven't even been on "Entertainment Tonight."

The biggest one is bleeding ulcers. Since I got back from Washington last week, no fewer than three of the most beautiful women I know, all twenty-five, all gorgeous, all radical party-hardy animals, have called to tell me they have bleeding ulcers. All of them could tell because they had nonstop vomiting and shortness of breath. Amazingly, all three of them experienced this vomiting and shortness of breath on the same nights that they had stayed up until four or five blowing cocaine and drinking California Chardonnay. So go figure.

The way all three of them tell me about it, they went to the doctor and the doctor told them that a combination of stress plus "lifestyle" gave them the ulcers. All three of them live a life which would wear out a panther, let alone a twenty-five-year-old white chick. Lots of dates, lots of dope, lots of wine, not much sleep, a lot of worries about paying off the old American Express bills. Lots of dates with guys who make a million dollars a year and make love to them and don't even give them any money or anything.

I could give you a list of all the famous guys that one of them went out with since I met her seven years ago, but I won't because a lot of them were married and now they're bigtime movie and TV stars and they'd probably want to sue me just for fun.

But the point is really about the bleeding ulcers. All of the girls assured me in breathless tones that they were going to change their lifestyle radically because of their bleeding ulcers. All of the girls said no more dope and no more of that acidic Chardonnay.

One of the girls even told me I was to blame for her particular ulcer because I had introduced her to a lot of studio executives and none of them had given her a job yet, so I must have just been introducing her to raise her hopes and then she would just have them dashed again. I told her I was sorry.

Anyway, since I got back from Washington, I've taken two of the girls to dinner—one at Spago and one at Morton's. The one at Spago only had three glasses of Chardonnay. The one at Morton's had a whole bottle of Far Niente, at $45, and I didn't even get to share.

Neither of them died, so I guess the bleeding ulcers aren't quite as bad as I thought. The third one has gone on a six-day drug and alcohol tour of Maine, from where she calls me every four hours to tell me how many Bloodies and Margaritas she's had, and how totally wasted she is. I mean to ask her about the bleeding ulcers, but I keep forgetting. Anyway, just keep on top of this one for a while. I think you can tell it's going to be a trend. Pretty soon little kids in high school will be saying they have bleeding ulcers, and then maybe they'll be carrying bumper stickers on their notebooks that say, "A year ago I didn't even know how to spell colitis and now I have one."

Anyway, the second trend is about beach houses and flowers. You won't believe this, or maybe you will if you know me, but in one afternoon, two different girls—one of the bleeding ulcer girls and another one, a braino from Sarah Lawrence—called to tell me that S., a gorilla in this town, a guy who produces movies that make as much money as all of Namibia makes in a century—has been bombarding them with great big arrangements of yummy flowers.

Incredibly, both of them met him at his Fourth of July party. Further incredibly, this party began at his house in Holmby Hills, and then went by caravan of Porsches and BMWs to his house in the Malibu Colony. "And it didn't stop there," the bleeding ulcer girl, a Gina Lollobrigida lookalike, told me. "Then we all went to another house he has on Broad Beach, right down the beach from some other rich guy's house, and it was just party-hardy all night. That might have had something to do with my bleeding ulcer, because I got it right after I went to the parties."

"Has he called you since?"

"Yeah, and I went out to his place at the Colony to have drinks with him, and I think he's really kind of cute."

"You think so?"

"Yeah, I do. Really cute. He told me

Ben Stein's latest book is Hollywood Days, Hollywood Nights: The Diary of a Mad Screenwriter *(Bantam Books).*

he was getting into corporate acquisitions as his next thing."

"Staci," I asked, "did you do him?"

"Of course not," she said, which I believe about as much as I believe Abu Nidal saying he's just a tourist.

The other one, big tall Sharon from Sarah Lawrence, called me about an hour later and basically told me the same story. Only she hadn't gone out to S.'s beach house for drinks. "He did send me flowers though, and they're really gorgeous. They're gladiolas and hydrangeas and roses and hollyhocks . . ."

"Just tell me," I interrupted. "Did you do him?"

"Of course not," she said.

Now, for a guy to send a woman flowers in Hollywood if she hasn't at least *sort of* done him is about as common as getting a free Carrera in the mail, but I have to pretend to believe these girls. Otherwise they'll stop thinking I'm their friend, and they won't call me, and I'll have to spend all my time talking to my lawyers, and I don't want to have to do that, because they charge me $200 per hour and each hour only has twenty minutes.

Did you know we're having a Writers' Guild Strike here? It may be over by the time you get this. It's been going on for five months, and it's sort of a disaster. There are empty tables at Morton's by ten o'clock, and people like me get to sit next to people like John Hughes and David Wolper and Hall and Oates.

Also, every few weeks I have to go picket in front of a studio. It's a lot of fun. I get to renew my acquaintances with writers I haven't seen for a long time. We carry our signs, which are pictures of a typewriter with a scary red streak of lightning coming out of it, and the word STRIKE in giant letters.

There's a lot of talk about how we're all suffering so terribly because of the strike, but how we won't even think about giving up until we've won all of our points. I'm not sure what all of our points are. I had thought the main point was to get work, but I guess I was mistaken.

It gets really hot on the line in Century City or Hollywood. Occasionally, a colleague starts to look faint and the cry, "Comrade! Evian for Marty!" rings out, and a cute little thing in shorts runs up with an Evian for Marty. At one picket site all they had was Gatorade, and I don't think anyone got thirsty that day.

I didn't go to S.'s Fourth of July party. I went to a party at the Malibu Beach Colony home of my pal D., who is a producer of made-for-TV movies. D. has decided that he wants to spend his summers in Malibu, but he doesn't want to buy there. He rents his place, with one large bedroom and three tiny ones—and a Jacuzzi the size of a soccer field—from Memorial Day through Labor Day for $30,000 per month, for a grand total of almost $100 K.

There were a lot of producers at his Fourth of July party, plus a few writers. My favorite, a young guy who wrote one of the summer's megahits and now is up to $300,000 for a draft and a set, and is not even thirty, had a big fat cigar. He was sitting across from a producer who also had a big fat cigar. Neither of them wore a shirt. Both of them were with blonde girls who made whippets look like walruses.

"This strike is about the egomania of the Guild leadership," said the producer.

"Ha, ha," said the twenty-seven-year-old writer with the golden pen. "It's about the producers trying to break the Guild. But they're not going to succeed." He wrapped his arm around his girlfriend and swept his cigar toward the glittering Santa Monica Bay. "We are the workers. We make the movies. Without us there wouldn't be any movies. And I'm not worried about the writers who are

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THE BUSINESS OF AMERICA

NAGGING DEBTORS

by Irwin M. Stelzer

This past summer marked the sixth anniversary of what is misleadingly called "the Third World debt crisis." In August 1982, Mexico, richly endowed with natural resources, announced that it could no longer pay interest on its international debt, then $80 billion (now $107 billion). Its solution: to borrow $3 billion more to meet its obligations. In quick succession Argentina, Brazil, and other debtors announced that they, too, could not service their debts.

This brought to a screeching halt the much-hailed process of "recycling." The oil-producing countries, unable to use the huge surpluses the OPEC cartel's extortion was producing, were pouring cash into the world's banks. The banks recycled these funds—lent them to Latin American and other countries at seemingly profitable interest rates, on the theory that sovereign countries pay their bills. So confident were the banks on this score that they made no effort to distinguish between countries that had paid past debts and those that had defaulted.

Unfortunately, the borrower nations did not make productive use of the resources they borrowed. As Anna J. Schwartz, of the National Bureau of Economic Research, pointed out in her Presidential Address to the Western Economic Association, the money went to finance consumption, including "extravagant living by corrupt officials"; to meet the deficits of "inefficient and unprofitable state-owned enterprises"; or disappeared in "capital flight" induced by confiscatory government policies.

Since the borrowed funds had not been invested in a way that would generate earnings, it was only a matter of time before the borrowers had no income stream from which to pay interest on their loans. When that time came, they had two choices. The first was to rein in public-sector spending and to privatize the bloated government-owned companies that were running huge deficits. This option, which came to be known as "austerity" but really meant living within their means, was rejected in favor of a second—more borrowing.

American, British, and other banks cooperated. After all, if interest payments were suspended, the banks' income would decline, reducing their profits and their capital bases. So the banks agreed to lend Mexico et al. still more money, to be used to pay the interest on the existing loans.

And the American government cooperated, too. Republicans, ever solicitous of their banker-constituency, wanted to avoid having their friends take an earnings hit. So they were delighted when bank regulators turned a blind eye to the obvious fact that the loans weren't worth anything like the figures shown on the banks' books. And Treasury Secretary James Baker did all he could to bail the banks out, exerting pressure on international agencies to step in, and on the banks to lend still more money to be used by debtor nations to pay interest on old debt.

Republican solicitude for the banks was matched by Democratic concern for the debtor nations. What Anna Schwartz calls "debtor country sympathizers" did not want the borrowers to be forced to reduce their welfare programs or cut back on subsidies to their loss-making state enterprises. So they joined in one proposal after another to transform the problem from one between a banker and a reneger to one of creating international institutions that would relieve the debtors of responsibility for repayment.

Meanwhile, Latin American politicians denounced the banks that had somehow forced them to borrow to finance their inefficiency and corruption. And in February of last year, Brazil, Latin America's largest debtor, declared a debt moratorium: it would repay neither interest nor principal. The international financial system, we were warned, was tottering. Huge government bail-outs would be required. But nothing much happened. True, American banks finally had to recognize what the markets already knew: the foreign loans would never be repaid in full. First Citicorp, and then others, reserved against or otherwise wrote down the value of the uncollectable loans. Markets found the banks' recognition of reality encouraging: as bad loans were written down, banks' share prices went up.

Encouraged by the markets' reaction to their (belated) willingness to solve their own problems, the banks developed other techniques to reduce their exposure. Some are swapping the notes they hold for equity in enterprises operating in the debtor countries. Others are selling their loans at discounts. Still others are simply writing off some bad debts. These schemes have two interesting characteristics: they rely on the market's determination of the value of the loans, and they require no U.S. government intervention. The banks will continue to negotiate their way through the "debt crisis"—unless a banker's equivalent of Lee Iacocca persuades a presidential equivalent of Jimmy Carter that the government should transfer the banks' losses to the taxpayers.

Not only banks but borrowers too have made some changes. Brazil, for example, conceded in the spring that it could not run its economy (inflation is 900 percent a year) without help from the banks whose loans it had repudiated. So it resumed interest payments on its debts and cobbled together a package of internal reforms that won the approval of the International Monetary Fund. Those steps taken, Brazil's finance minister persuaded first the London banks and, this summer, the Paris Club (representing government creditors) to stretch out the repayment period of old loans (reducing annual interest payments by $500 million), to convert some debt into equity participation in Brazil's economy, and to make new funds available.

But most debtors are stubbornly refusing to adopt the internal reforms that can solve their economic problems in a way that new borrowings most certainly cannot. In 1982, when the "debt crisis" began, Mexico agreed to reduce its deficit, then running at 16 percent of GNP, in return for a loan from the International Monetary Fund. It got the loan. Five years later Mexico's deficit came to 17 percent of GNP. And promises to privatize large portions of the economy remain unfulfilled: some three-quarters of the economy is still in the public sector.

Any hope that oil prices will increase enough to bail Mexico out seems forlorn—and not only because oil markets are soft. Consider this fact: between 1980 and 1984, before oil prices collapsed, Mexico's earnings from oil exports rose from $9.4 billion to $15 billion. But its foreign debt rose from $51.4 billion to $93.7 billion. A 60 percent increase in oil revenues, in short, was accompanied by an 80 percent increase in foreign debt.

All this makes nonsense of Mexico's efforts to blame its troubles on foreign lenders. Clearly, basic economic reforms are required. But the strong showing of leftist Cuauhtemoc Cárdenas in the recent election promises to undermine any resolve newly elected President Carlos Salinas de Gortari might have had to push through such economic reforms. The *New York Times* quotes a conveniently unidentified "foreign economic analyst" as saying, "If there is one thing the election showed, it was that Mexicans are no longer willing to go on repaying the debt at any cost. . . . [T]he electorate was in complete agreement on that point." Presumably, this is a warning that our government must

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