From an Aug. 17 interview conducted by EIR *European Economics Editor Laurent Murawiec in Washington, D.C., with a senior U.S. Treasury official at the IMF who preferred not to be named.*

EIR: How do you see the near-term role of the IMF?
A: Four weeks ago we had a round of consultations and we were able to explain our policies. . . . There was a lot of discussion on the mix of fiscal and monetary policies. So we explained that if we [the U.S.] did a tighter fiscal policy [as a tradeoff for lower interest rates] now, there would be a recession and lower U.S. economic growth would hurt the rest of the world. Everybody is focusing on interest rates; for me it is quite frustrating to see this, as if interest rates were the only thing in the world. . . .

EIR: A good many countries are in serious trouble.
A: What do you Europeans really want? After all, a couple of years ago you were telling us to take drastic steps against inflation. The high interest rates will not last. There is an excessive preoccupation with U.S. interest rates per se. Tradeoffs are necessary. . . .

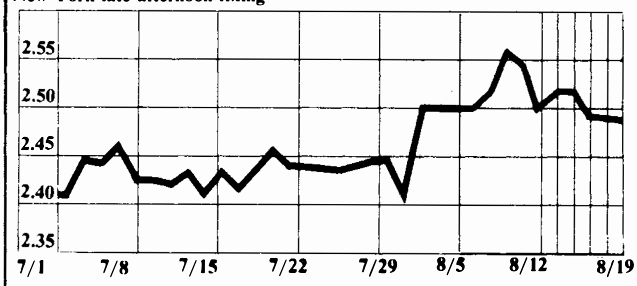
Third World countries' problems are essentially major problems within their own economies . . . in most cases of Third World countries coming to the Fund, they need to make internal adjustments, eliminate price controls, subsidies for food, and consumer prices which discourage production. They must stop maintaining totally uncompetitive exchange rates. Do we keep funding ever larger deficits, or force internal adjustments? The Fund must not so much provide money; that is not its main task . . . the more money is lent, the less the incentive and the pressure to adjust. The strength of the Fund is in advising, then this encourages private lenders to lend.

EIR: [IMF Director General Jacques] de Larosière just told a population conference in Salzburg that global resource constraints would be reflected in population policies. Do you think the Fund should take an active role in this respect?
A: Let us not make it an institutional focus at the Fund. If you ask my personal advice, I personally agree with de Larosière. Not at the Fund—but McNamara's World Bank pushed a lot in this direction.

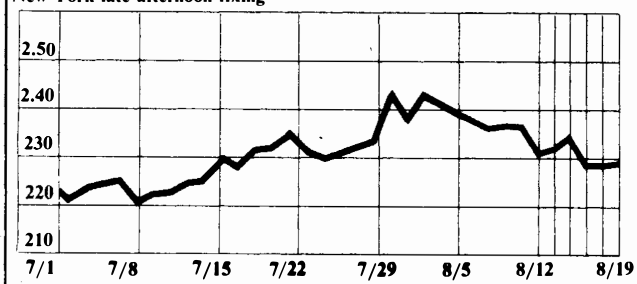
EIR: Look, the immediate problem is that half the Third World is plainly bankrupt.
A: Oh, you are painting too black a picture. I am not that worried. The real problem is whether these countries can control their current-account deficits. . . . We must keep wrestling with the countries in question for internal adjustments. Maybe it would be healthy for the international system if a few controlled bankruptcies occurred.

Currency Rates

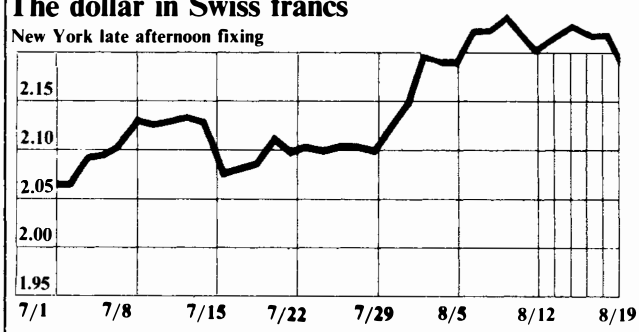
The dollar in deutschemarks
New York late afternoon fixing



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