

## Fed describes the Swiss plan

*Excerpts from an April 26 EIR interview with an official of the New York Federal Reserve:*

**Q:** What will happen if banks go under?

**A:** There are a lot of people around in very high places who are very worried, I can tell you that. There are a lot of places in the world which are very unsafe to lend to. If you were a banker with surplus funds, where in the world would you go today? Why, even major U.S. corporations are going under one by one. You can yell and scream about problems abroad, but there are some pretty big ones here too, major bankruptcies.

This is serious. You know, two weeks ago I told you there'd be shooting and the Argentines believed otherwise. Who knows how far their stupidity will lead?

It doesn't surprise me that high U.S. and British bankers are going to the press and saying "Gee, this is really serious." It *is* really serious. Nobody knows what the consequences of this [the Malvinas crisis] are yet. Nobody knows exactly what to do.

The problem is that the commercial bankers are aware that their own action can precipitate exactly what they fear. They are cautious, which means not opening any new commitments with suspect countries, although trying to roll over everything coming due, including from suspect countries. But if they create this atmosphere of fear, and cut lending too much, they might create a situation where their own fears become real, where a number of countries could be forced to the edge. The problem is that commercials' tendency is not to make the hard decisions until they have to be made, and that time may be approaching. They've made all those loans, and a lot of them were bankrupt, but no banker ever called default. . . . The idea of calling Argentina or Poland into default might not be as disturbing to a central bank.

A national monetary authority could decide to do that on a regulatory basis. There are central banks now which are very conservative, who have been warning for some time now that international lending has ballooned too far, and banks are overextended, that countries cannot pay their debts and are borrowing too fast, and these conservative central banks would like to put some rules in place and clamp down on international lending.

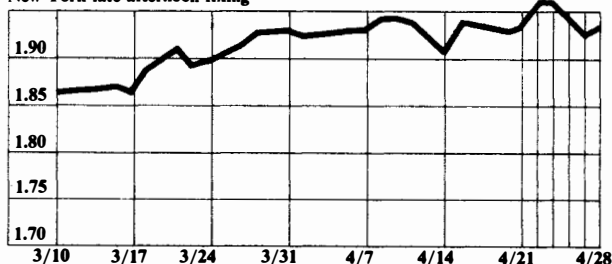
**Q:** You mean the Swiss National Bank? Or Henry Wallich?

**A:** No names. Figure it out. But there are conservative central bankers who feel that they have lost control over bank lending and want to exert control over the banking system to reduce world lending. . . .

## Currency Rates

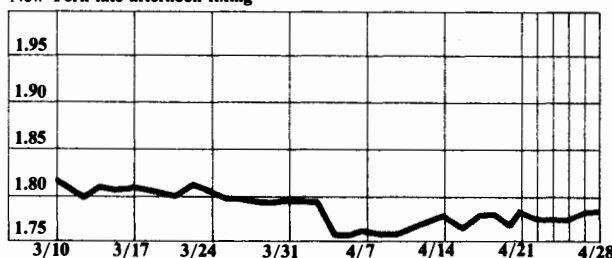
### The dollar in Swiss francs

New York late afternoon fixing



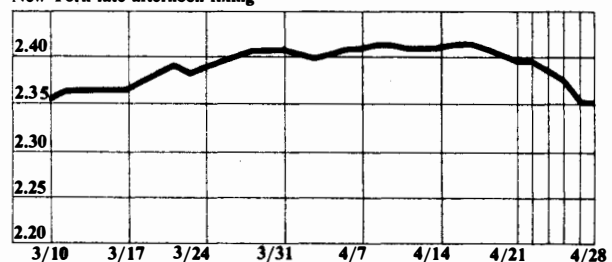
### The British pound in dollars

New York late afternoon fixing



### The dollar in deutschemarks

New York late afternoon fixing



### The dollar in yen

New York late afternoon fixing

