

**A:** Yes. And it won't happen quietly. It will be quite unnerving to the White House. The banks are having to make decisions every day to roll over certain large loans. As they observe these countries are in non-compliance with the agreements they have signed, that their trade deficits should be such and such but are instead running at such and such, the banks will start calling up the countries to demand "What're you gonna *do* about it?" and they will start asking the IMF "What're you gonna *do* about it?" and the IMF will try to hold the banks' hands and calm them down, but it won't work. Then the banks will either threaten to, or in fact call up and say they are not renewing a certain loan.

Somehow, the banks will get the message to both the IMF and the Treasury that this is a crisis. . . .

**Q:** Which banks? European banks?

**A:** Why should they care? I mean U.S. banks, Citibank, people like that. It won't happen quietly. This summer is going to be like last summer all over again.

Then, there is going to be a lot of posturing by the countries in response. They're going to start complaining "You haven't stretched out and written off enough of our debts! We've tried our level best but we just can't comply with these conditionalities. We've acted in good faith, but the programs don't work. Now you've got to make some concessions." They are going to start demanding that the banks lengthen and stretch out maturities, and especially to reduce the interest rates, that's their big complaint.

**Q:** You mean Mexico and Brazil are going to demand the Rohatyn plan?

**A:** Yes—they want debt relief, and they would get some under these plans, and the U.S. banks will have to pay—which of course they won't; the taxpayers will ultimately pay. That's why it's so politically unpopular.

**Q:** Why doesn't this discredit the IMF, if its programs fall apart?

**A:** Anyone with his head screwed on straight would have predicted that much of the [LDC] debt contracted would eventually have to be stretched out and written off by the banks. The problem last summer was that you could not get people to admit this. You could not get the U.S. government to admit to it, you could not get the bankers to admit it, they had to have a story for their shareholders, for the taxpayers whom they are asking to bail them out.

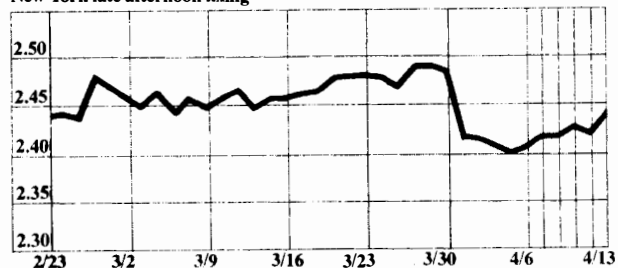
**Q:** Who gets blamed?

**A:** You figure it out. Now, the bankers will come to the public and say, "We negotiated our best deal, with tough IMF conditionalities. The countries, too, did what we asked, but there has been no recovery and under these conditions we can't squeeze blood out of a stone. We mis-estimated, we all did, now we have to stretch the debt out." If anything, it looks like the banks made the mistake, not the IMF.

## Currency Rates

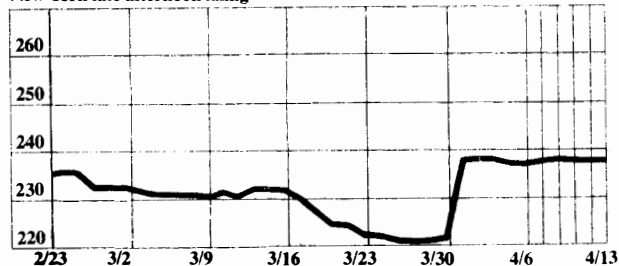
### The dollar in deutschemarks

New York late afternoon fixing



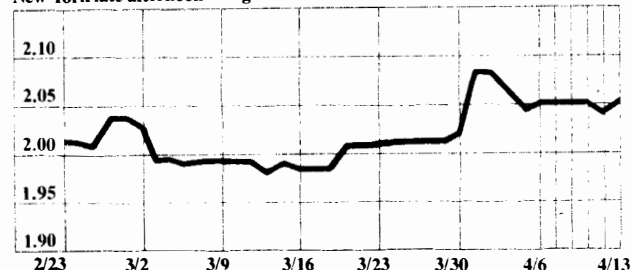
### The dollar in yen

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

