

to the pre-October 1979 policy of keeping down interest rates. There are even some people on the bond market predicting a rally on this basis. Will you do this?

**A:** The whole scenario is completely overblown. I haven't heard a single thing said to that effect in this institution. Absolutely no one is on that track. And, as you may have noticed, we have not done anything to prevent a rise in interest rates.

**Q:** Are you concerned about political pressure from the White House?

**A:** If interest rates go up, political pressures will become serious. That is what we expect. But no one is going to turn around and walk away from something that has worked so well for the last two years.

**Q:** Isn't that like the guy who jumped off the Empire State Building and said when he passed the 23rd floor, "So far, so good?"

**A:** If you mean the risk of disaster in this approach, yes indeed, there is a risk of disaster. But monetary policy has been better in the past two years than in any previous period, in the sense that we've hit our basic objectives, by the skin of our bleeding teeth, but we've done it, and that's more that we've been able to do before. It means that the Federal Reserve is committed to some definable, understandable objective, and you don't just give this up. Paul Volcker didn't invent this policy on the plane back from the [October 1979 IMF meeting at] Zagreb. I was writing studies on it for this institution in 1971. We've spent more money running computer regression analyses on the monetary aggregates than Poland spends for national defense!

**Q:** In Western Europe, most people agree with Helmut Schmidt that interest rates have been the problem, and that the NATO alliance will collapse if the economic situation continues into depression.

**A:** That whole scenario rests on the proposition that to loosen up on monetary policy will help. What makes these people think that printing money will *avoid* a crisis? We hear this from the U.S. administration all the time.

**Q:** From whom exactly?

**A:** From the supply-siders, from the people who are running the place. But among the cognoscenti, among the elite, whatever you want to call them in this country, we have gotten unanimity on the proposition that you can't print money.

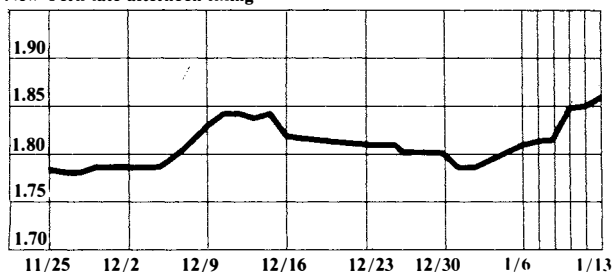
**Q:** But the Poland situation may change all this. In a strategic crisis, the old rules may have to go.

**A:** The strategic pressures are more real than they were, say, two months ago. Whether they're determinant or not, I don't know.

## Currency Rates

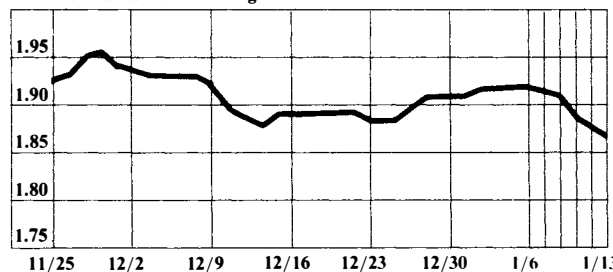
### The dollar in Swiss francs

New York late afternoon fixing



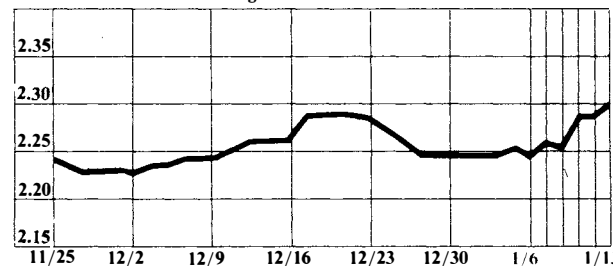
### The British pound in dollars

New York late afternoon fixing



### The dollar in deutschemarks

New York late afternoon fixing



### The dollar in yen

New York late afternoon fixing

