

**WORLD BANK HISTORY PROJECT**

**Brookings Institution**

**Transcript of interview with**

**FELIX CAMARASA**

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**By: John Lewis, Richard Webb, Devesh Kapur**

## FOREWORD

The following is a transcript of an oral interview conducted by the authors of the World Bank's fiftieth anniversary history: John P. Lewis, Richard Webb and Devesh Kapur, *The World Bank: Its First Half Century*, Washington, DC: Brookings Institution Press, 1997. It is not a formal oral history, and it is not a systematic overview of the work of the person interviewed. At times the authors discussed the planned publication itself and the sources that should be consulted; at other times they talked about persons and publications extraneous to the Bank. Some interview tapes and transcripts begin and end abruptly. Nevertheless, the World Bank Group Archives believes that this transcript may be of interest to researchers and makes it available for public use.

*[Begin Tape 1, Side A]*<sup>1</sup>

[The quality of much of this recording is very poor, and the volume in many places is not nearly high enough.]

**CAMARASA:** . . . I mean, you see, I would put it in a more sophisticated way that some people called, the discussion about what some people call the Washington Consensus. I am fully convinced that there is an agenda that is applied and that agenda is never discussed. That is basically my answer to your question. I think that that is due to *[inaudible]* political approaches that are not discussed publicly. In a way, you know, it's the old story that *[John Maynard]* Keynes put so, so much quoted, well, put by him in the sense that many times politicians don't know that they are just following the recommendations of some old philosophers *[inaudible]*

Recently I have been reading a book that deals on the subject of the political theory of conservative economists. That is a very interesting subject. I like it very much.

**WEBB:** Who is it by?

**CAMARASA:** By a professor at the university--I don't have it with me, but I think that is a book--because I never, I haven't seen this book commented or discussed, and I think that is extremely interesting because, of course, the book would point out the fact that the idea of putting out economic propositions without spelling out the political implications gives to economic propositions a scientific stature that they don't have. I mean, they are just social theories. That is not a *[inaudible]*

This is really one of my major concerns. For example, this year we have extraordinary events here. We have the colloquium on the Soviet Union. Despite every effort that some people (myself for sure, principally) did, we couldn't get a discussion on the substantive issue of what we are going to propose to the Soviet Union in terms of an assistance strategy. I mean, we are going to follow in some way what the Chinese are doing. We are going to follow up the *[inaudible]* approach. We are going to look at the Japanese experience. I mean, what are you going to do? And, of course, I don't buy that. I think that is going to be extremely superficial, this idea of sound economic policies, that you're going to find what has to mean "sound," but it is understood that adjustment is what it means, sound economic policies that produce growth automatically. You know, that is really the thing that I don't see happening. Really, this is one of—this is really—you have touched with your first question on probably my first complaint. All the time I have been trying to convince them of my *[inaudible]* propose an agenda with substantive attachments.

The people that has been most successful to do that recently in the Board *[of Executive Directors]*—and I ask you, to tell you, be attentive to that—are the Japanese. They were successful because they are powerful. You know, one thing is to talk in the name of one Latin American chair and the other is, I mean . . . The Japanese are really now contesting the Washington Consensus in a formal way, a scientific way. I mean, they have produced excellent papers. I don't know if you are fully aware of all

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<sup>1</sup> Original transcript by Brookings Institution World Bank history project; original insertions are in [ ]. Insertions added by World Bank Group Archives are in *italics* in [ ].

of them, but I am talking not only of the one that refers to structural adjustment in the World Bank but I am talking also to the so-called MITI plan for the Soviet Union, the two papers. I think that--this is one of my main spheres of interest and really [inaudible] And I have been supporting the Japanese on that and on the yellow-cover discussions on industrial policy and the procedures for [inaudible]

Also I have been in the Board one of the Directors more enthusiastic of that approach, of the idea of really studying the experience of Taiwan, Korea, Japan. I don't know if you are fully aware of everything that happens here in the Bank. The Operations Evaluations Department produced very interesting study on Korea, India . . .

**KAPUR:** The study of the industrialization?

**CAMARASA:** Yes, yes. And the management said that the distribution of that study would be inconvenient, and they tried to censor it, saying that this will discourage other countries that are doing other things. You know, this is a very unscientific proposal, to say the least, because [inaudible] And I was again the leader of the opposition to that, and now that has been published.

Then, you know, this is really very serious. I am disappointed in the fact that we don't discuss this. If we don't discuss even in general, are we going to discuss it in particular? For example, the discussion on structural adjustment, we, after twelve years' experience, we have only three reviews. And the latest one that was written by Larry [Lawrence H.] Summers was such a lousy job, really; I criticized it at the Board strongly. He got into an argument, a nasty one, to the point that he had to apologize to myself and to [J.S.] Bajjal, the Indian colleague, for the way in which he reacted.

And when he came here to apologize, and I said, "Listen, this is wrong. What you are saying is not based on facts."

He said, "Listen, that piece was not written for the Board. It was written for a more general public, and we couldn't give the impression that this is not working."

I think, this is really by an economist, you know, preposterous. These economists are all the time talking about scientific proposals are so evident that the political scientists are not operating on that, have an opinion on that, and then they do these type of lousy things.

**WEBB:** So he was confessing a public relations . . .

**CAMARASA:** Well, yes. Really, I mean, I am abusing of your kindness, in a way, but I am trying to be as fair as possible to him. I am not going to say anything terrible, too, but that is the impression of what he said to me, because the local capacity, their goal was the public to which this thing was directed.

The structural adjustment is another big issue, which is that [inaudible]

**WEBB:** How would you sketch out a history, because you've lived with the whole history?

**CAMARASA:** Oh, yes. I've lived with the whole history.

**WEBB:** Or your sketch of the history . . .

**CAMARASA:** Well, you know, first of all—you see, it is extremely interesting. I mean, I am—you will have to stop me, because I am really a person that is—I have been following—I am planning to write myself such.

When this was proposed, the idea was that adjustment would take a short period of time. It was proposed, interestingly, the political idea was, allowed one to establish very clearly—and many books have that quotation—that you have to do it very quickly in order not to—to take advantage of the political situation. If it takes a long time, then the political resistance will come out. But, you know, because this is a political idea; it is not an economic idea. I would prefer to discuss it on the rules of political theory, not just on the rules of economics. I mean, let's do it quickly, you know, so that the people will not notice so much how badly they are going to be hurt, you know. This is a political proposition not an economic proposition.

And, of course, at that time it was my impression—at that time I was very close to the officials of the administration of this country, that help for the balance of payments *[inaudible]* I don't know *[inaudible]* I try to be also as scientific as possible. The debt issue at that time was—some of this money was direct to channel to the country as *[inaudible]* balance.

And, of course, a lack of a theory about the measures that were proposed for these countries—this is terrible. You look at the regional papers. It looks like just an operational thing, not the big political enterprise that it actually was, I mean, to change the economic orientation of countries all over the place more or less in the same way notwithstanding they are in different stages of development. You know, that was clearly the first approach.

Of course, the first two reviews of the exercise were quite good; that is American Stan *[Stanley]* Fischer, because the first two reviews were really critical of these, if you read it carefully and you are prepared. But unfortunately that collapsed with Larry Summers. Again, you know, it is completely unexpected because you would have expected that Fischer would have done, been in more in favor of it, and Larry Summers against. But I guess people are all playing games all the time and they were just to show the opposite sides of themselves, I would say. I don't know. But anyway, I am under the impression that we didn't attempt to have a real assessment of *[inaudible]* not only on the economic side.

I mean, for example, we changed the way of measuring things radically without telling anybody that we were going to change it. For example, the whole idea is how do you make, do you measure success. It is clear that in the past success was measured in terms of economic growth of--debt accompanied with a better income distribution. I studied development; I have a masters in development studies *[inaudible]* That was the theory of development. Now the measure of success is the compliance with macroeconomic indicators despite the fact that you don't have growth, for example, and the income distribution is extremely worse off than was before. That can be possible, that you propose that this is a new measure of doing

things because you think that this is the basis for reassuming growth in the future. But I am against of not saying that you are changing the way in which you are doing this because then you are coming into saying, “Latin America is a success story.” In which sense is it a success story? I mean, I will say that once we assure really growth, when we have something more than the transference of particularity to the public services, when the income issue—I mean, again, let's define what is--how are you going to define success, because if not we are going to have these successes that are accompanied by frustrations but they are compensated by successes in some other country.

You know, I mean remember in your country, Peru. Peru was a success story--ou remember, you had [*Fernando*] Belaunde--to the point that even at that time you got the secretary general of the United Nations, you know, you remember very well, because Peru was—and then Peru was supplanted by some other country that was doing wonderful. And then that other country, Uruguay, had got, for example, the chairmanship of the assembly of governors because Uruguay was doing so wonderful that even deserved a box in the *World Development Report* saying--and at that time, my first battle in the Bank, was against graduation.

Incidentally, if you are going to write the story of the Bank, you have got to take into account that there is a myth in the Bank that in the Bank exists a policy for graduating countries. That policy was protested by myself and another Executive Director and was in, for all practical purposes, stopped. And Mr. [*Ibrahim F.I.*] Shihata knows the legal papers that we devised at that time, myself and the other Executive Director, we wrote an article on this, on the policy of graduation of the World Bank. I have a copy here with me, of course.

But anyway. At that time the conversation was that Uruguay was going to be graduated, and then Uruguay was changed by some other country. And now it is Mexico, Chile and Argentina, some people say. [inaudible] But anyway, this is what [inaudible]

And, you know, this is another angle of the same problem. We ask for [*inaudible*] because the only scientific rigor is applied when you are talking about economics. But even when you go into the field of other science like political scientists, you don't even consider under obligation of being strict. You just change the measure of success, for example, and don't give an explanation to anyone else.

And finally we are at this point confronted with the fact that we are very hard experience with adjustment, you know. Another way [*inaudible*] trends and informally. It is like what the people in the campaign are saying to the Republicans: “You have already had twelve years. What did you come up with?” My question is adjustment is—I mean when we started adjustment, the proposition was, “We are going to compare adjustment with the wrongs of the past, and adjustment is this wonderful proposition.” And you were comparing something that was in the future, an unknown entity, with a known entity that we were trying to get rid of. But now we have twelve years of adjustment. We have the possibility to compare it to the wrongs of the past but also to, with the wrongs of the present system. And I think that this time has come. I mean, you couldn't—I mean, people are taking [*inaudible*] of things, expressing their opinions and frustrations. And all over Latin America because you

know they, what is happening in Latin America, for example, is not the same thing [*inaudible*] and this is--I am talking about Latin America because I was [*inaudible*] we can talk about Africa because I visited Africa. I think that the experience of the World Bank in Africa is [*inaudible*] talking about. This is my--because I am trying to compress immensely, I mean, but we can talk very specifically about these issues of the time [*inaudible*] format.

**WEBB:** The Bank developed this, what was a substantial innovation procedure in structural adjustment lending?

**CAMARASA:** Yes.

**WEBB:** '79, maybe?

**CAMARASA:** Yes.

**WEBB:** But it's not by accident but really thinking of a very different order of magnitude, a much more temporary problem. But this turned out to be a huge problem, and the instrument lent itself to the macro problem of the '80s. This became almost a revolution in the Bank.

**CAMARASA:** Absolutely. But you know, again, it is a revolution with which you don't explain that you are making a revolution. You don't explain the under principle of the proposition. You don't explain the theoretical foundations. I mean, because nobody came out and said, "Listen, this is the way of doing things." And then that is the reason because now we are confronting the following. The conclusion, even the conclusion of the staff review is adjustment, even when it is not delayed, takes more time than it was envisaged to do. This is the conclusion.

Then, what about the proposition that you have to go in very quickly because politically that is the way of doing that? I mean, let's go to revise that because the idea of doing it very quickly is that you will see the results before people will start to feel the hurt. But now, we are accepting that, even if it is not delayed, it is going to take longer than it--then what about a shock or gradualism? What about starting to discuss it again? Nothing general across the board, you know. I am not so bold, you know, I am just telling--I mean, the idea of doing some things very forcefully, very strongly, and very quickly, and some other things more gradually. I mean, this idea that you are talking about gradualism across the board because you are a softy is really a cheap attack. I mean, that is not the proposition. The proposition is just to target, you know. I mean, you can't get all the people against you at the same time because this is undermining democracy. In Latin America that is what was happening.

Then what concerns me is the fact that all these revolutions [*inaudible*] very well, that even has been basically linked to what has happened in the '80s was done without a theoretical foundation. And what is wrong with that? What is wrong—for me it is wrong anyway because I am a political scientist--but it is wrong because you don't have the possibility of discussing it. That is what makes it more complicated. If you have a policy, a philosophical foundation or a political foundation or a theory of what are you doing, then you can discuss it. But if not, the only way in which you are allowed to get into the discussion is the central economic discussion. You cannot

really go in to say, “Listen, is it worth doing that? I mean, what are the social implications? What are going to be the political results? What is the relationship with the political development? What is the relationship with the inculcation of capitalism in the south?” It is like collectivism, you know, in Korea or something. Capitalism should not be looked at the way in which it has been done in the serious capitalist countries of the world. The problem is that you can’t get engaged into a substantive discussion because of the way that the propositions were advanced.

**LEWIS:** Could I ask a question?

**CAMARASA:** Yes.

**LEWIS:** You say that there wasn't a serious discussion of the theory. I know that when the SAL [*structural adjustment lending*] was introduced in 1980, it came in sort of quietly in a short memorandum, and there was a lot of feeling in the Board that there was sort of pushed something in without a big debate. But you also said that it was, the doctrine that was underneath the new operations, was the Washington Consensus view of it. There is a point of view there. There is a sort of a—there is a kind of theory that is fairly well known and that is associated with the Washington Consensus. My question is whether, as you participated in this through the ‘80s, you felt that the resistance of management to the Board's pursuing these questions was (a) a commitment to this sort of Washington Consensus that they didn't want to argue about and disturb, or whether it was less a doctrinal commitment than an internal political commitment in the sense that the Board was fighting a turf battle with—I mean that management was fighting a turf battle with the Board. There has been a tradition here of management making most of the decisions and the Board being a reactor to propositions. And during the ‘80s people like you wanted to get more into the substance. No?

**CAMARASA:** No. Again, you are very insightful, but I see it differently in the following sense. First, the reaction of the Board was a very huge reaction. Only the Bank were trying [*inaudible*] discussion. You even today cannot say “Washington Consensus” in the Board without getting ironic smiles from most of [*inaudible*] What does it mean? We don't have an agenda. Even today that is not possible. But you know this was not the real--some of us--it is true that the Board has changed enormously. I mean, at the beginning of the ‘80s the Board was really more in the way that I am still today. I am the last Mohican, in a way, you know, or one of the last, because now the situation has changed completely. People like [*inaudible*] they are just bankers, not any more statesmen or political, politicians, or . . .

**LEWIS:** And so the Board has considerably diminished?

**CAMARASA:** Oh, yes, yes. [*inaudible*] And it ends going back against [*inaudible*] some people are doing things which I know quite they are doing. Bank's management [*inaudible*] doesn't know that they are applying a cultural management prescription.

**LEWIS:** Management doesn't know?

**CAMARASA:** No, not all management. Not all management.



**LEWIS:** Is management itself moving away from the Washington Consensus somewhat?

**CAMARASA:** Washington, management--because the other point with which I say I dislike is the point that you see applied to management and the Board. I see it differently. I was here during [Barber B.] Conable. Conable was able to create some support for him at the Board level. And you know the real problem in the Bank is that management has been pressured, having, receiving pressure all the time, not by the Americans, that is wrong, by the Treasury of the United States. That is not the same thing because when the Treasury was under Mr. [James A. III] Baker it was a different thing and more important. Now it's [inaudible] but I mean because you know that he's going to be replaced anyway. It's not just the Baker case [inaudible]

But the big issue was between Treasury and the Bank. And the Board blamed—you know, the Board was not even [inaudible] It was just a turf fight. Conable will say to you--I think that that was the point at which the Bank reacted more strongly to the Washington Consensus, at the middle of his tenure, with the help of the organization [inaudible] a man that I admired very much. He was able to--you know, in this practical way of operating, nothing urgent, nothing major, but you know to do certain things, to be part of the financial [inaudible] And I think you are right. The history of these things--a major departure in the history of the Bank was going with Argentina without the Fund. That was a major departure. Now you talk to Mr. [inaudible] because it is a fascinating departure.

**WEBB:** We just read a commentary by [S. Shahid] Husain on this.

**CAMARASA:** No, no, no. I mean, it would have been wonderful to read a commentary by Husain at that moment.

**WEBB:** Let me explain. Jacques Polak is writing a chapter on the relations between the Bank and the Fund.

**CAMARASA:** This is the other extraordinary subject.

**WEBB:** One of the topics in Polak's chapter is the Argentina. We sent the draft, Polak's draft, to several people including Husain. Husain is writing, rather exhaustive, a letter with his comments, giving his own defense. I'd love to discuss that with you.

**CAMARASA:** I hope that—I said to my colleagues in the Fund that Polak was talking to because was that [inaudible] Really, I mean, I am trying to be as humble as possible because I was operating all the time. I tried to lower my profile. But discussing the Argentina thing without talking to me is really a strange position because I was the one, you know. How can I [inaudible] It was a serious breach of etiquette. The support we received from America to do that, from Jim Baker to go alone to the Bank without the Fund. And then when Baker left for the electoral campaign, the change of face of the people that remain at the Treasury. I mean, I am just a [inaudible] position. I mean, I don't need to know the details. I didn't [inaudible] Baker. I traveled with Conable to Argentina. [inaudible] I know every detail of that thing. [inaudible] the State Department, who said that, who spoke that,

who was saying that, why they changed. But this is a major, major issue that—and Polak never even came just to ask me.

The problem with Husain is that--Husain is a friend of mine, but, you know, Husain is still active. And you know he is the fellow who is writing an autobiography. You write it when you are not looking to coming back. I mean, when you are thinking of coming back, you are going to be very careful about what you are saying.

**LEWIS:** What's your net assessment of that?

**CAMARASA:** I think that it was an extraordinary accomplishment by the Bank, that the Bank didn't take credit for that. I think that in a way it points to the future because one of the big issues for me is the relationship between the Bank and the Fund. I think that that has changed, the struggle anyway, and it's now reflecting reality. I mean, we are still following the macroeconomic assessment that an institution that was created to [inaudible] of the balance of payments task, we didn't win. We really are dealing with everything in the world, and we are not allowed to have a macroeconomic assessment. And anyway, the macroeconomic assessment of Argentina's situation was right because furthermore, prevent, allowed the transition from one government to the other to be smooth, as smooth as possible, and then it could correct because the new government in Argentina followed basically the macroeconomic assessment that Shahid Husain did in Argentina and succeeded. Again you have to discuss how and in which way it has succeeded. And that was a major enterprise. And Argentina think [inaudible] the Secretary of State, George Shultz, does, he was a wonderful [inaudible] Mr. Baker personally [inaudible] himself and the Treasury of America was [all speaking at once]

**LEWIS:** I think we ought to get some comments from [inaudible]

**KAPUR:** What was their interest, the Administration? Why did Shultz [inaudible]

**CAMARASA:** My impression is that one of the reasons, they have the doubt about the political transition.

It's not the Dutch lady; I know that they thought that the World Bank was—and anyway, they can, all the time, cut a more activist policy, economic downsizing move. She thought and she thinks that [inaudible] just the commercial banks. She was very, very clear dealing with commercial banks [inaudible] But I think that it was basically [inaudible] because [inaudible]

And, well, this is--these are by [inaudible] The problem with the Fund was very much in the future. [Michel] Camdessus was [inaudible] Fund going along with [inaudible] and they said that. I hear Mr. Baker say clearly that he opposed the idea that [inaudible] policy expansion. I am not making a judgment; I'm just telling you the [inaudible]

But it is clear, I mean, the facts are there, the macroeconomic assessment really was done by Argentina [inaudible] And the country was right. I mean, after that moment we had many standby agreements with the Fund. And we never had a standby agreement that dealt with anything else than just a collection of [inaudible] Only the

Bank, when we went, we started to say, “Listen, people have to pay taxes, you have to do structure” [inaudible] And I think that they have that right. And I think that Shahid Husain did a wonderful job. I am afraid that, of this letter--don't misunderstand me because, you know, he's still a vice president [all speaking at once]

**LEWIS:** He gave us a pretty forthright critique of the Polak chapter. Do you think the accord was, after that, was a step back for the Bank or . . .

**CAMARASA:** I don't see how. It wasn't a step back politically between--the people are very much in favor of maintaining the primus of the Fund, they blame the Bank, and I think that the Bank didn't take the position of saying, “Listen.” They didn't take credit; they didn't take credit for what happened. I think that the Bank played very badly its own cards. But this is a perception here, and that's perhaps a way that wasn't fit for the Bank.

**KAPUR:** [inaudible]

**CAMARASA:** Oh, yes. [inaudible]

**KAPUR:** [inaudible]

**LEWIS:** This was when the [Ernest] Stern/[Moeen A.] Qureshi . .

**CAMARASA:** Qureshi basically was in favor of it, strongly. But I mean it's even--my idea for the book on how we managed that day [inaudible] and I mean this is just an [inaudible] of a particular instance, of course.

**WEBB:** That episode had some effects on the Bank. Which were they? I mean, for instance one story I heard is that a structural adjustment loan that Bank was developing for Jamaica or in supporting Guyana, because of what happened in Argentina they had to reformulate it [all speaking at once] informal adjustment. Do you remember that? Was that a general result?

**CAMARASA:** Yes, the Bank suffered because the Bank didn't go out and say, “Listen, we did a wonderful job. Look at what has happened.” They didn't say that. Only some of them tried to, but of course it was perceived as a [inaudible]

**KAPUR:** How did your counterpart at the Fund see it?

**CAMARASA:** No, no, no. Different. Well, at that--oh, yes, at that time the government of Brazil was clear, absolutely, that it was a [inaudible] decision. We guessed at the possibility of the World Bank and the [inaudible] presence of the World Bank and the Fund. And always we tried to put the Bank's right intentions. For example, the minister of economy at that time came always to my office [inaudible] He never goes to the Fund. But of course, people--I am a political nominee, I am an assistant nominee at the Fund. You know, at that time a lot of people nominated came from the central bank. And, you know, as the management here were split, the managers in Argentina were also split. And that explains some of the major effects.

The big discussion for us at that time, we couldn't get a bank, one of the commercial bank get into the Bank. *[inaudible]* And some of us wanted to proceed with *[inaudible]* an escrow account. We were prepared to pay the commercial banks some money but not that amount. And then we were trying to demonstrate that the commercial banks were politically trying to undermine the *[Carlos S.]* Menem Government, not having an agreement with the Menem government, just waiting for the next one. And some of us proposed the idea of creating an escrow account, said, "Listen. We have the World Bank, we have the money for the banks in this escrow account." We knew that some banks were going to take some part of the money. That was resisted in Argentina by some other faction. And clearly I represented the faction of the minister of the economy at that time. I was *[inaudible]* situation of the country, but not the other sectors. It makes one *[inaudible]*

**LEWIS:** It does. Let me just ask a little bit more about what you perceive as the sources of the position that Conable finally took in the accord. He clearly went along with the more aggressive action initially. He was asked to do so by Shultz and Baker, and he indicated to us that one of the senior vice presidents was very much for that. Where was the pressure from? It was evidently not from the U.S. government to sort of retreat and become more sensitized to the views of the Fund. Was it a matter of Conable being sort of intellectually dominated by Camdessus or . . .

**CAMARASA:** No, no, no.

**LEWIS:** . . . Ernie Stern?

**KAPUR:** Once Baker left, the support from Treasury for that position [all speaking at once]

**CAMARASA:** *[inaudible]* evaporated completely.

**LEWIS:** I see.

**CAMARASA:** Of course, that is the real truth. Once Baker left . . .

**LEWIS:** I see. I got my dates wrong. [both speaking at once]

**CAMARASA:** Nobody in Argentina, even the *[inaudible]* I can even share with you my statement. We said, "Listen, you are betraying us because you have asked us to do this. I am not talking about--these things are arranged not always at the Board meeting but at some other places--and we have a commitment of you. That doesn't mean that because Baker went to the electoral campaign we are now changed. You have all of the agreement."

But even the Argentinean government was not, you know, complicit on that issue. But we tried to press 'til the last moment. One of the ministers of Argentina was trying to get into Washington *[inaudible]* Baker on vacation. And Baker was prepared for this, but the Treasury said, "Listen, what does Baker have to do with this? We are the Treasury. I mean, most of the internal discussion is *[inaudible]*" But then the minister couldn't come for the discussions. They said, "Listen, you are not . . ."

**LEWIS:** This would have been the fall of '88?

**CAMARASA:** Yes, the fall of '88.

**LEWIS:** Who was the Acting Treasury Secretary then? Was it . . .

**CAMARASA:** [*Nicholas F.*] Brady came to Treasury.

**LEWIS:** Oh, Brady was not there yet in the fall of '88.

**CAMARASA:** I don't know who was the Acting.

**WEBB:** When [*David C.*] Mulford was in charge. [all speaking at once]

**CAMARASA:** Immediately, when Baker left, who was in charge?

**LEWIS:** I don't know.

**CAMARASA:** I think that Baker was [*inaudible*]

**LEWIS:** No, I don't think so. But, anyway. He was appointed at first by—[*George H.W.*] Bush was not yet President. I don't know.

**KAPUR:** It was about four or five months when there was an Acting.

**CAMARASA:** Mulford was the man.

**LEWIS:** Well, he was in charge.

**CAMARASA:** They assisted in the idea of the minister account. And then we had another challenge. And another minister of Argentina came and saw General [*Brent*] Scowcroft [*inaudible*] and we had a meeting in which I discussed the situation.

**LEWIS:** So that would have been after the change in administrations, Scowcroft.

**CAMARASA:** No, [*inaudible*] He was the minister [*inaudible*]. I know that at one stage [*inaudible*] discussion Scowcroft was present.

And you know, it was an extremely—then what they can. We are not moved. We are not producing our end of the agreement. We are not making the, creating the escrow account. We are not announcing the Fund [*inaudible*] It is interesting to read what the *Wall Street Journal* published at that time because the *Wall Street Journal* was very much in favor of the agreement with Argentina and very much against the Fund, and they published a very interesting series of editorials in which they say the Fund and the Treasury pulled the rug under the agreement.

**KAPUR:** So why was Mulford opposed? Why did he . .

**CAMARASA:** Well, this is one of the big questions.

**LEWIS:** Mulford?

**CAMARASA:** No, no, no. I think that one of the issues is something that--is why people from this *[inaudible]* before the election. Some, probably. There are historians, really, to know that.

**LEWIS:** You mean in Argentina?

**CAMARASA:** No, no, here, here. Here already, the part of the opposition have the Spanish contacts.

**LEWIS:** But the Argentinean parties were in opposition.

**CAMARASA:** Yes, that is correct. Spanish contacts were very, very strong. But anyway, we are just touching on the subject. Don't believe that I am just giving you a full account. I'm just giving you a flavor of the views. But again, this is what happened in relation to that.

But if you ask me to make this up, the relationship between the Board and the management or the relationship between the Bank and the Fund. I think that these are has the two big issues that you *[inaudible]*

**KAPUR:** Did Scowcroft sort of have a political agenda *[inaudible]*

**CAMARASA:** Yes.

**KAPUR:** Was it a role or primarily ideology, do you think *[inaudible]*

**CAMARASA:** Yes. This is clearly a political theory and it is based on, you know, we cannot have a scandal *[inaudible]* It is what I told you. I mean, there is a political theory to go along with the conservative economics.

**WEBB:** I mean, the Washington Consensus or . . .

**CAMARASA:** Well, it is—please do remember, you cannot say the Washington Consensus today at the either the Bank or the Fund *[inaudible]* I know that everybody else in the world are thinking about the Washington Consensus but not us. You can't say that. I'm not a *[inaudible]* just not to get this . .

*[End Tape 1, Side A]*

*[Begin Tape 1, Side B]*

**WEBB:** . . pushed by our law on the Bank, that means it's being motivated to a large extent by purely management economics self-preservation interests, in Part I, particularly the pre-emptive banking, and so this is perhaps becomes so much kind of ideology as pure economic interest. One—I could imagine an explanation of what Baker doing support *[inaudible]* He was terrifically worried about one of Bush's sound bites. We, during my period in *[inaudible]* Bank, I saw Baker as motivated principally something like that. He didn't want any threat to a piece of Bush's image.

**CAMARASA:** But he was not supported in that sense. It was [both speaking at once]

**WEBB:** Okay. Okay. But the point is that he in general [both speaking at once]

**CAMARASA:** [*inaudible*] but I don't think that this is inconsistency between what you are saying and what I am saying. People are not—we're guessing. I mean, things happen in the world. Perhaps the motivations are that. I am inclined to think that the real motivations are that. But, I mean, then you have to put out some, a proposition that has to be consistent because if you don't have the political underpinning, you know, then you are going to pursue one thing one day and the other thing another. It is clear that there is something behind this.

**[Pause for telephone]**

**CAMARASA:** I think that both things come together. I mean, some people have this. I'm not saying that Shultz was--the reasons for doing things are manifold, you know, but, I mean, as a scientist, scientists, you try to look at the constants, at the—I mean, you try to systematize the proposition, you know. And when you look at the Washington Consensus, you look at the theory of how to do things. But still, knowing the literature on the Washington Consensus [*inaudible*] What is this? You can't really put it into a political theory, you know. That isn't even a spell-out, analyzed in a political discussion, politicians and candidates [*inaudible*]

**LEWIS:** Let me ask you to reflect a little more on the relations between management and the Board while you've been here. It's changed, I gather. How would you characterize the reasons for the change? One thing you've said is that you feel that the quality in some sense of the Board members on average has declined. The role of the U.S., particularly the Treasury maybe, has changed. You've had a series of different presidents, and they have had different styles, skills and effectiveness. How would you put that together? Also, is it fair to say, I gather, that not just the U.S. but other Part I countries have been playing a different role; Japan, you mentioned?

**KAPUR:** I mean, is there also a major North-South . . .

**CAMARASA:** No, it's less. [all speaking at once] First of all, the adjustment process weakened the states, the governments, and the solution of the countries [*inaudible*] in the world. The possibility, the political possibility, of a country like America today of having the same position that they had five years ago is much less. They are really in a desperate situation [*inaudible*]

Then there has been a deterioration of the North-South thing because [*inaudible*] very weakened. If you would like to sell for a time . .

**LEWIS:** Long time.

**CAMARASA:** Long time, yes. But anyway, you can say that just that is the price that you have to pay for the wonderful future. But anyway, even if you say that, you have to recognize that it is a weakening. I mean, I can say that today nobody attempt to--even India or China or these countries, I mean, are less vocal than they were before, you know. They say nobody knows, really, of the proposal. The Part I

countries are much weaker, much weaker, and that has to do with the big issue that I just mentioned, the role of the government and of the state. This is one issue.

The other issue is that the management, in my view, attempts to *[inaudible]* costs vis-à-vis the judgment. And the Board is not united politically. The Europeans have their own agenda, close to Camdessus sometimes—most of the time--only recently the Europeans have started to move. Today they are--I mean, when I came to the Bank, some of the affairs were reached between Part I and Part II. In the middle of the process all the Europeans went directly to the Part I. Now again we have countries that are . .

**LEWIS:** This would be the Nordics and the Dutch and the Canadians?

**CAMARASA:** The Nordics and the Dutch, no, no, the Canadians really . .

**LEWIS:** Always been [both speaking at once]

**CAMARASA:** Yes, yes, because as long as I have been here, the Canadians are the closest ally of the organization.

But again, against--you know, a game of shadows; I mean, nobody is really talking about it or something. You have the recent discussion on the purposes. That was a completely misguided discussion because what was attempted with that--that this an attempt by the Board to control management. I mean, *The Economist* did a wonderful piece—I mean, not *The Economist*, the one that is *[inaudible]* But what does it mean? But the point of having the discussion at that level, controlling management by the Board, is really hiding the real nature of the conflict. That is what I wanted to say when you asked the question.

The real nature of the conflict is not the difference between the Board and the management. The management is--for example, for us it is more easier to deal with the management, as borrowers, than to meet with the Board. In the Board you have a fairly heavy weight that political votes. With the management you are dealing with people that have been living close to you and knowing the conditions in your country. Then, in a way, the borrowers got, I mean, got a better relationship with the management and don't like the Board as a whole doing in the affairs of the bilateral dialogue.

You know, the point is all these issues that are discussed in such a superficial way have many angles. Today I don't have the time nor the preparation. I mean, this is just a conversation on this, but, you know, every one of these issues has many angles. And really my main concern is that we don't look at these angles; we just trivialize our discussions.

**LEWIS:** That's one of the--one side of the Board looking at the other side, finding how difficult to deal with management.

**CAMARASA:** Oh, yes. Oh, yes. But again--and, you know, looking at the problem of the Board-management relationship as a technical problem, we are now going to resolve the Board procedures in a way, a technical way that will accomplish a better



relationship. I mean, that is hiding from the fact that the conflict is in other places; it's not just a technical conflict. It is not a question of how much time people use to discuss projects. And when we discuss projects, you know--for example, people say, "Let's don't discuss projects; let's have these substantive discussions." But when you go to the Americans, they don't understand "substantive discussion" in the sense that I have just explaining to you. They think that we have to discuss--they use the term "substantive discussions" and say that we have to discuss implementation of loans. They assume that all the other things are already settled in the Washington Consensus. And for me this—you know, I am just a . .

**[Pause for visitor]**

**CAMARASA:** I know, I know. I have a meeting with Mr. Preston, but I have some . .

But, listen. The point is how difficult it will be now to continue these conversations because I am leaving and going back to Argentina.

**WEBB:** We'll send you something, the *[Fred D.]* Levy report and maybe a few questions.

**CAMARASA:** I will be delighted. I will be delighted to help you in any way. And when I come to Washington *[inaudible]*

**LEWIS:** It would be great to talk with you again when you come.

**CAMARASA:** But, of course. I mean also—I don't know the terms of--but at some point--I mean this is more than just that I said I would help you. Some people at some point have to take one day out and to talk with the people that know what is happening. You can't really attempt to publish anything. You can know exactly the intention of what has really happened and that is not a thing you can just *[inaudible]*

**LEWIS:** That's the unsolved dilemma we have. There is no way we can talk as much as we should with all the people we should talk to. We're trying. This has been a very, very good conversation, even though it's incomplete, I know.

**CAMARASA:** You understand that I've been trying to put many things [both speaking at once] more serious than normally. I just tried to impress upon you these ideas, general ideas.

**LEWIS:** It's very helpful. Thank you.

**CAMARASA:** But I am always prepared to do it again. I said you call me, you have my address.

**WEBB:** *[inaudible]*

**CAMARASA:** No, no, no, but I mean people will.

**WEBB:** *[inaudible]*

**CAMARASA:** I will be in close contact with the President's *[inaudible]* committee. I am close to Mr. *[Paul A. Jr.]* Volcker. He has helped us a lot. We have a very good relationship.

**LEWIS:** We've talked to him. He's my colleague at Princeton.

**CAMARASA:** Ah!

*[End Tape 1, Side B]*

*[End of interview]*