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VICE CHAIRMAN JIM SAXTON

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HEAVY U.S. FINANCIAL SUPPORT FOR IMF REVEALED IN NEW JEC STUDY

– Variety of Hidden U.S. Costs Benefiting the IMF Documented –

WASHINGTON, D.C. — The heavy U.S. costs borne to support the International Monetary Fund (IMF) revealed today should be considered by Congress in reviewing IMF reform and other legislation related to the IMF, Joint Economic Committee (JEC) Vice Chairman Jim Saxton said today. The new JEC study, *Research Findings Regarding the Costs of U.S. Participation in the IMF*, highlights some of the results of an ongoing JEC research program that began in 1997. The study is being released by Saxton and JEC Member Congressman Mark Sanford.

"This study cuts through the confusing fog of obscurity related to IMF operations and the share of them financed by the U.S.," Saxton said. "The Treasury position that the IMF does not cost the taxpayers a dime will never again be taken seriously by any informed person. The U.S. is by far the largest single source of usable resources for the IMF, but these costs have not been properly identified and accounted for due to the legendary lack of transparency at the IMF and the Treasury."

"As the report shows, out of the 182 nations that contribute to the IMF, the U.S. gives the most at 26 percent," Congressman Sanford said. "The bottom line is that American taxpayers are stuck paying this huge bill," he concluded.

"The U.S. supports over a quarter of the usable resources of the IMF," Saxton continued. "While the U.S. and a small group of other nations provide an extraordinary level of reserves to support IMF operations through their quotas, over half the IMF members have actually withdrawn their reserves under the recent quota increase and provide no economically meaningful contribution to the IMF. The official representation of the IMF as a sort of credit union by the Treasury and IMF can be seen as highly misleading once these facts are known. The financial support for the IMF is not broad-based as portrayed, but is very narrowly focused.

"Moreover, the IMF pays below-market interest rates to the U.S. for the use of much of its reserves; these IMF rates are below the Treasury's cost of funds. This subsidy is a cost to the U.S. In addition, there is a portion of U.S. reserves on which the IMF pays no interest. This is an additional U.S. subsidy that would be eliminated by legislation I have introduced.

"Unfortunately, the IMF has become another development bank as all of its recent lending has been to developing nations. This lending has been to riskier borrowers at longer terms and has become heavily concentrated in a few countries. The extra risks associated with this kind of lending entails additional costs that are shifted to the donor countries and their taxpayers.

"IMF gold sales also entail costs by usurping gold profits that could alternatively be returned to the donor nations and their taxpayers. Instead of tapping the $3 billion in an available loan loss reserve and other sources, for example, the IMF prefers that the taxpayers foot the bill for debt relief.

"The interest subsidies and risk costs to the U.S. associated with the IMF are never properly presented in budget submissions. However, now that these costs have been identified, policymakers and the public will view policy issues related to the IMF in a new light. The status quo at the IMF, maintained by a lack of transparency, has been penetrated so that the key facts can now be placed in the public domain. Policy decisions in the future will be less subject to manipulation by official sources who until recently have had a virtual monopoly on information about IMF finances, " Saxton said.

For more information on the IMF and international economic policy, please visit our website at www.house.gov/jec.

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