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VICE CHAIRMAN JIM SAXTON

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IMF GOLD SALES PROPOSAL SHOULD BE RETRACTED

– Proposal Cannot Survive Open Congressional Debate –

WASHINGTON, D.C. – **“The current proposal for gold sales by the International Monetary Fund (IMF) is a mistake and should be retracted,”** Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. Saxton’s comments come on the eve of an IMF meeting to consider how to proceed on the proposed gold sales. Last week Saxton and Majority Leader Dick Armey introduced legislation that would block the proposed IMF gold sales (the IMF has proposed selling up to 10 million fine ounces).

“The IMF gold sales proposal is poorly thought-out, unnecessary and counterproductive, and therefore should be withdrawn,” Saxton said. “The IMF has much better ways to finance its loan losses, including reducing exorbitant IMF interest rate subsidies. The current gold sales proposal is exceedingly murky and unclear even by IMF standards, with few details available of exactly what it consists of and how it would work.

“One thing has become clear: this gold sales proposal would come at the expense of the taxpayer. Part of the hidden value of IMF gold reserves that could otherwise be preserved and eventually restituted to contributing countries and their taxpayers would be signed over to the IMF bureaucracy. With over \$20 billion in these hidden gold reserves, the temptation in the future will be to use them as a convenient way to paper-over IMF policy mistakes, instead of openly addressing them and reforming the IMF. For example, instead of closing the failing loan program that saddled poor countries with debt they cannot repay, the proposal will leave this program in place and paper-over the problems through gold sales.

“This proposal provides hidden, back-door financing of the IMF and its programs. I have little doubt that an informed and open debate in Congress about its substance and cost would result in its rejection. The proposal simply is too poorly thought-out to survive serious scrutiny. However, I am concerned that its official proponents have come to recognize the fundamental weakness of their gold sales plan, and will avoid an open examination of its details and expense at all cost. This attitude does not enhance the standing of the IMF in Congress since it obviously is intended to avoid a transparent and complete disclosure and discussion of an important public policy issue.

“To minimize further damage, the IMF should withdraw this proposal. It is ironic, to say the least, that some of the supposed beneficiaries of the IMF debt restructuring plan are virtually begging the IMF to relent in its destructive proposal for gold sales. Will the many problems in this proposal cause the IMF to reverse course? Unfortunately, it appears all too unlikely. The IMF’s tendency towards bureaucratic inertia will probably prevent any reconsideration of this policy.

“As I have repeatedly pointed out, there are much better alternatives, including reducing costly IMF interest rate subsidies. From an economic point of view, it is impossible to justify lending to Russia and other dubious credit risks at interest rates of 3.8 percent, far below the yields of top-rated U.S. Treasury securities. Rather than address the economically irrational IMF policy of credit subsidies, the IMF has chosen to adopt yet another irrational initiative in the form of counterproductive gold sales,” said Saxton.

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