



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

JIM SAXTON, CHAIRMAN

CHRISTOPHER FRENZE
EXECUTIVE DIRECTOR

PRESS RELEASE

For Immediate Release
September 15, 1998

Press Release #105-171
Contact: Daniel Guido
(202) 224-0379

STRONGER LEADERSHIP NEEDED IN INTERNATIONAL ECONOMIC POLICY *¾ SAXTON RENEWS CALL FOR FIVE POINT PLAN ¾*

WASHINGTON, D.C. — **Joint Economic Committee Chairman Jim Saxton (R-N.J.)** today called for stronger and more concrete steps to address the problems in international economic policy than those outlined yesterday by President Clinton.

“The President now seems to realize the gravity of the international situation, but his proposal is too weak to have much effect,” Saxton said. “For example, veiled suggestions about possible future interest rate cuts or vague appeals for reform of the International Monetary Fund (IMF) are inadequate. Specific and fundamental IMF reforms are needed to improve the rather poor results of IMF strategy in Russia, Indonesia and elsewhere.

“Raising the prospect of more IMF bailouts in Latin America on the same day the Brazilian government denies it needs IMF assistance is gratuitous. The counterproductive effects that often result from IMF loans and loan conditions remain unrecognized by the Administration. Furthermore, despite misleading Administration statements, the IMF is not destitute.

“Strong and clear leadership is needed during this period of international financial markets disorder. A coordinated interest rate cut by the major central banks should be considered immediately,” Saxton concluded.

In addition to his call for lower interest rates, Saxton’s five-point plan calls for:

- The U.S. focus on fostering economic growth must be maintained. Continued growth in the world’s largest economy makes an important contribution to global economic expansion. The resultant expansion of the world economy provides the foundation necessary to facilitate needed structural reforms in emerging economies. Monetary policies of gradual disinflation and a tax policy that provided incentives to innovate and produce have sustained the long-growth trend in the United States in the past two decades. In sum, the policies associated with the U.S. growth of the past two decades should be continued in order to bolster the world economy. Also needed is tax reduction to ensure continued U.S. growth.
- An international trading system characterized by open commodity and capital markets will maximize economic gains from international cooperation. Measures attempting to control international financial flows would be destructive and counterproductive and should be resisted.
- Fundamental reform of the IMF (as in the proposed IMF Transparency and Efficiency Act) and encouragement to reduce other sources of moral hazard around the world would improve the prospects of financial stability. IMF transparency, IMF lending at market interest rates and restraint of additional IMF funding would limit counterproductive policies. Critically needed banking reforms in emerging economies should be encouraged to limit other sources of moral hazard.
- Japan must be encouraged to stimulate its economy and clean up its banking system. Such actions are necessary for the world’s second largest economy to bolster global and especially Asian economic growth. As many have noted, the weakness of the Japanese economy is a primary source of the economic problems in Asia.

“These steps won’t solve all economic problems in the world, but they would improve the international economic environment,” Saxton said. “In the wake of the failure of the IMF in Russia, and the resulting shock waves still being felt around the globe, clearly a new approach is needed, which involves careful analysis and reform of current institutions and policies.”

###