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IMF GOLD SALES RAISE MANY POLICY QUESTIONS

WASHINGTON, D.C. – Proposals to sell some of the gold holdings of the International Monetary Fund (IMF) raise a number of difficult policy questions, Congressman Jim Saxton said today. Saxton's comments follow the remarks of President Clinton and others suggesting that the IMF sell some of its gold to provide debt relief to Heavily Indebted Poor Countries (HIPC). Such IMF gold sales must be approved by Congress.

"I don't think the Congress should or will provide quick, unqualified approval for IMF gold sales," Saxton said. "If any debt relief is to be undertaken, it may be better financed through other means than gold sales. The IMF could cover these costs over the longer run by complying with the Congressional reforms and using market interest rates on most or all of its loans.

"Furthermore, the gold provides a reserve against other risky IMF lending. A very large proportion of IMF lending goes to the top five or six borrowers. Some of these other IMF borrowers may come to expect generous bailouts financed by the remaining stock of IMF gold. There is no compelling reason to sell off part of the IMF's gold at this time. This proposal for gold sales is certain to spark a major debate over the role of the IMF in Congress.

"The central problem is that the IMF concessionary loan programs have failed and become more of a burden than a help to borrowing countries. Gold sales are one way to avoid facing this reality and the need for IMF reforms. The IMF's concessionary loan programs should be ended and the IMF's drift toward becoming another World Bank should be halted.

"Let's not forget that the gold holdings of the IMF ultimately belong to the member countries and to their taxpayers. Because IMF gold is not carried on its books at full market value, this use of gold sales appears to be one way of disguising the loss of taxpayer resources that have taken place under these IMF loan programs. Furthermore, the use of gold for debt relief will accommodate more IMF loans, subsidies, and moral hazard problems.

"In my view, the IMF gold sales should be conditioned only upon fundamental reforms of the IMF. Over time, loans should be provided only to borrowers who have established sound banking and financial systems. The loans should be very short term, at true market interest rates or higher, and on good collateral. A total restructuring of the IMF is urgently needed," Saxton said.

For more information on the IMF, please visit the JEC website at http://www.house.gov/jec/.

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