



CONGRESS OF THE UNITED STATES

# JOINT ECONOMIC COMMITTEE

JIM SAXTON, CHAIRMAN

CHRISTOPHER FRENZE  
EXECUTIVE DIRECTOR

---

---

## PRESS RELEASE

---

---

For Immediate Release  
July 24, 1998

Press Release #105-157  
Contact: Daniel Guido  
(202) 224-0379

### **OPENING STATEMENT OF CHAIRMAN JIM SAXTON (R-N.J.) JULY 23, 1998, JOINT ECONOMIC COMMITTEE HEARING “The Transparency and Financial Structure of the IMF”**

WASHINGTON, D.C. -- I am pleased to welcome Mr. Johnson and his colleagues from the General Accounting Office (GAO) here before the Committee this morning. I would also like to thank the GAO team of economists and accountants that has reviewed the finances of the International Monetary Fund (IMF) for the last several months.

Since last fall I, along with a number of others here in Congress, have been pushing for more IMF transparency. While this has resulted in some additional information being released, Congress still has not been provided with an adequate explanation of IMF finances and operations.

The time has come for Congress to take action on its own and use the means at its disposal to provide increased transparency at the IMF. As a result of this hearing, more factual information about the finances of the IMF will be in the public domain than ever before. This will enable all of us to take a fresh look at the IMF and examine the financial issues with an open mind. While reasonable people may disagree over various issues related to the IMF, there will now be a better understanding of IMF finances on all sides.

Three main issues to be discussed today appear to be among the most important: the amount of resources the IMF has access to; the degree to which the IMF can address its own liquidity needs; and the mismatch in IMF assets and liabilities related to its evolution into development and structural lending.

First, the facts presented today show that the alleged impoverishment of the IMF is more than a bit exaggerated. The IMF holds \$43 billion in usable quotas, \$32 billion in gold, and can borrow up to \$23 billion under the GAB. Thus the IMF holds or has access to about \$98 billion, a tidy sum even if not all of it can be loaned. Moreover, the IMF can borrow huge sums from private financial markets; \$60 billion would be well in keeping within historic guidelines. Even if the Russian loan is fully disbursed in compliance with loan conditions, the IMF would have quite a kitty of about \$80 billion, not counting private sector borrowing.

Second, the IMF is not helpless to address its liquidity needs. As noted, the IMF can sell bonds to raise money and provide usable resources for operations. The IMF's liquidity ratio, which we will hear about shortly, can be used to portray an impoverished IMF. But this argument is often presented without mentioning the fact that the IMF can raise funds not even counted in the ratio by issuing bonds. Moreover, the changing financial structure of the IMF over time makes the validity of historical comparisons of the liquidity ratio very dubious unless these structural changes are taken into account.

Third, the IMF has evolved from an institution with liquid assets and liabilities to one in which assets have become longer term, but liabilities are still very short term. This mismatch of assets and liabilities could contribute to liquidity problems. As the IMF engages in more structural and development lending, its assets will not only continue to be mismatched against its liabilities, but the IMF will also have fewer resources available when the inevitable liquidity crises do arise. With total usable quota resources of \$130 billion and very liberal borrowing guidelines, it is not clear why the IMF would lack the resources for emergencies if it were to reserve its funds exclusively for emergency lending.

In recent months there has been quite a bit of confusion caused by conflicting accounts of IMF finances. Only last week, two top IMF officials provided very different figures on the IMF's remaining resources – at the same public news conference! In one recent appearance before Congress, an IMF executive board member displayed a lack of understanding about non-transparent IMF financial statements.

The bottom line is that if top officials find IMF finances confusing and obscure, clarification and transparency are needed. The GAO is to be commended for presenting so many complex accounting and economic issues in an understandable way.

###