



CONGRESS OF THE UNITED STATES

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Alternative IMF Funding Examined By Saxton To Limit U.S. Taxpayer Risk

WASHINGTON, DC – The IMF should consider raising funds in private financial markets to reduce taxpayer exposure, said **Joint Economic Committee (JEC) Chairman Jim Saxton (R-NJ)** today. Saxton's suggestion comes on the heels of a report in the *Financial Times* that the IMF is requesting \$160 billion in new capital from member nations, a large increase from that agreed upon only a few months ago.

Chairman Saxton's statement follows:

"In my view, the IMF should seriously consider the sale of bonds or notes to raise additional funds, rather than rely so heavily on the government resources of member countries. Such a heavy reliance on government money can pose significant risks to taxpayers, insulate IMF decision-making from market evaluation, and increase potential moral hazard problems. The large and growing risk to U.S. taxpayers requires a consideration of alternative funding sources. In addition, I do not believe that a huge IMF quota increase will be well received by the U.S. Congress."

As Saxton recently pointed out, the magnitude of the recent bailouts will reduce IMF reserves to historically low levels. The United States is among the nations that has committed "backup" funding, and it increasingly appears that at least some of this taxpayer money may be used. The prominent and highly publicized role of the U.S. Treasury in designing the bailout framework further increases the probability that additional U.S. funds may be tapped if the IMF Korean bailout fails to work. An IMF bond or note issue would make excessive use of U.S. government funds unnecessary.

The issuance of IMF securities would provide an alternative source of funds and a vehicle for less subsidized interest rates and loan terms. In the past, the IMF has relied on contributions from member nations and a loan facility called the General Arrangement to Borrow (GAB) to finance its assistance and bailouts. Although the IMF is low on reserves, its GAB has over \$23 billion in available loan commitments. However, recent IMF bailout packages have included backup commitments by the United States and other countries instead of the use of IMF GAB or other credit lines.

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