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JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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Contact: Christopher Frenze
(202) 225-3923

IMF FAILURE TO PAY INTEREST ON ALL U.S. CONTRIBUTIONS FAULTED

– GAO Cost Estimate of $2.7 Billion Triggers Legislation to Block IMF Gold Sales or Quota Increases –

WASHINGTON, D.C. – "The International Monetary Fund (IMF) should pay interest on all the U.S. reserves it taps or face a cut-off of future U.S. funds," Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. Saxton was referring to a JEC finding that the IMF does not pay interest on billions of the U.S. reserve position; the IMF does pay interest on other U.S. reserves, albeit at a below-market interest rate below the Treasury's cost of funds. The JEC finding was recently confirmed and quantified in a new important General Accounting Office (GAO) report, *Observations on the IMF's Financial Operations.*

"Today I am introducing legislation to mandate full IMF payment of interest to the U.S., or further U.S. funds to the IMF would be cut-off," Saxton said. "The failure of the IMF to pay full interest to the U.S. has been estimated to cost a cumulative $2.7 billion, or $150 million annually. This fleecing of the taxpayer should be ended before any further U.S. funds are even considered for the IMF. No U.S. approval of IMF gold sales, credit lines, or quota increases should be considered until the U.S. is fully and fairly compensated for its current financial support of IMF operations.

"The IMF's failure to pay interest on all U.S. reserves is another one of many inconvenient facts that has never been disclosed or explained to the U.S. Congress or to the public. It provides yet another example of the lack of transparency so characteristic of the IMF and its activities.

"These interest costs to the U.S. also highlight the implausibility of the Administration's oft-repeated arguments that the IMF does not cost taxpayers a dime, and that the U.S. must pay its fair share to the IMF. The U.S. already provides over one-quarter of the IMF's usable resources, but it is the IMF that is shortchanging the U.S., not the other way around. U.S. taxpayers have been more than generous to the IMF, a specialized agency of the United Nations organization.

"Debate over the IMF and international economic policy involves complex issues that should be addressed on their merits. We should recognize that with the current volume of international capital flows, the IMF does not realistically have the means to avert a financial crisis directly affecting the advanced industrial nations. International economic policy has other means of attaining its objectives, including monetary policy. This is why last fall I called in advance for each of the three interest rate cuts by the Federal Reserve to stem deflationary fears and stabilize the international financial markets. For reasons of its own the Federal Reserve acted, and the effects on the international financial markets were very positive. This example serves to illustrate the fact that international economic policy has many dimensions and important elements of consensus, " said Saxton.

For more information on the IMF and international economic policy, please visit our website at www.house.gov/jec.

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