



CONGRESS OF THE UNITED STATES

# *JOINT ECONOMIC COMMITTEE*

CHAIRMAN JIM SAXTON

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## PRESS RELEASE

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## IMF SURVEILLANCE AND LENDING POLICIES NEED IMPROVEMENT

**WASHINGTON, D.C.** – The International Monetary Fund (IMF) is often unable to recognize signs of impending international financial instability and sometimes has supported counterproductive bailout policies to deal with this problem, according to a new study released today by Joint Economic Committee (JEC) Chairman Jim Saxton. The new JEC study, *Recent Bailouts and Reform of the International Monetary Fund*, concludes that the structural reforms proposed by the Meltzer Commission would improve IMF operations.

“This study shows that the IMF should have better anticipated the Asian financial crisis, and then was too intrusive and inflexible in imposing IMF policy conditions without adequately considering the specific characteristics of each crisis country,” Saxton said. “Lately the IMF itself has indicated it is increasingly aware of these issues in its ongoing operations, and is attempting to address them.

“The study also documents the moral hazard problem caused by the perception of ready IMF assistance in countries with shaky financial institutions. The premature promotion of capital account liberalization before adequate institutional reforms were in place tended to exacerbate the already serious moral hazard issues.

“The Asian financial crisis and its aftermath were probably the high point of IMF bailouts and influence. The Congressional debate over the IMF quota increase in 1998 and the report of the Meltzer Commission last year have highlighted a number of problems in IMF operations. The lack of transparency and accountability, interest subsidies, moral hazard issues, drift into development lending, lack of loan safeguards, and excessive and counterproductive conditionality are now well recognized, to some extent even within the IMF.

“There is now a new consensus for reform of the IMF and World Bank to refocus these institutions on their core missions. I am pleased that the research and hearings of the Joint Economic Committee over the last four years has played a constructive role in forming this new consensus for reform of these institutions. As the study also notes, the report of the Meltzer Commission has now provided the blueprint for reform of both international financial institutions. It is encouraging that views of IMF reform that not long ago were considered unacceptable in official circles are now in the mainstream of policy discussion in the IMF and finance ministries around the world,” Saxton concluded.

For more information on international economic policy and the IMF, including the new study, *Recent Bailouts and Reform of the International Monetary Fund*, please visit our website at [www.house.gov/jec](http://www.house.gov/jec).

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