



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
April 28, 1999

Press Release #106-27
Contact: Christopher Frenze
(202) 225-3923

PROPOSED IMF GOLD SALES UNDERMINE IMF REFORM AND STIR GROWING BIPARTISAN CONGRESSIONAL OPPOSITION

— Subsidized IMF Loan Interest Rate Stands at 3.5 Percent —

WASHINGTON, D.C. – The sizable expansion of proposed gold sales by the International Monetary Fund (IMF) will intensify congressional opposition to the idea, Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. Over several months, advocates of gold sales have increased the proposed level of such sales from 3.5 million and 5 million ounces to 10 million ounces. According to the latest news reports, there is now a new proposal to sell over 10 million ounces of IMF gold. The gold sales would purportedly be used for debt relief, but the lack of details and transparency typical of IMF policy initiatives makes it unclear exactly what is being proposed to Congress.

“The recent statements presuming that gold sales will definitely take place ignores the fact that the U.S. government has made no commitment and can do so only with congressional approval,” Saxton said. “The Administration is supporting this proposal, but there are serious bipartisan reservations in both the House and the Senate. This bipartisan concern guarantees that this proposal will face tough congressional scrutiny. Majority Leader Dick Armey has asked me and my staff at the JEC ‘to carefully examine the economic and financial issues involved,’ and our review is already well underway.

“IMF gold sales are not the proverbial free lunch that some may think. The gold held by the IMF must be reviewed in the context of IMF finances and loan policies. The IMF itself has acknowledged that its gold holdings add strength to its balance sheet. With about 25 percent of its outstanding credits owed by Russia, it is reasonable to ask whether further erosion of the IMF’s balance sheet now is desirable. Furthermore, other borrowers, apart from HIPC, may seek debt relief through expanded gold sales in the future.

“There are a number of available alternatives to gold sales. An end to the IMF’s policy of deeply subsidized interest rates is one alternative that should be given a high priority. The IMF’s current standard loan interest rate of 3.5 percent is indefensible on economic grounds. This rate is far below the interest rates available in international financial markets to creditworthy borrowers. It is also far below the interest paid by U.S. taxpayers on their mortgages, car loans, and credit cards.

“An end to IMF interest rate subsidies would provide much more resources for debt relief than would the proposed gold sales. Furthermore, if Congress were to approve the gold sales, this could be viewed as sanctioning the current IMF policy of interest rate subsidies. Instead, the IMF should be forced to explain why it insists on using inefficient, costly, and counterproductive interest rate subsidies.

“In conclusion, the congressional reforms passed last year mandated increased IMF transparency and use of market interest rates in IMF bailouts. It is not yet clear whether the IMF intends to fully comply with these reforms, and Congress must ensure that its actions facilitate IMF compliance with U.S. law,” Saxton said.

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

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