CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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REFORM OF EXCHANGE STABILIZATION FUND READIED

— Openness and Accountability Would Be Mandated —

WASHINGTON, D.C. – Legislation reforming the Treasury's Exchange Stabilization Fund (ESF), the *ESF Transparency and Accountability Act*, is being readied for introduction, Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) announced today. The ESF was established in 1934 at a time when the dollar was pegged to gold, but has survived into the current era of flexible exchange rates despite its lack of clear objectives and its secretive operations.

"This legislation will end the legacy of secrecy and obscurity at the ESF," Saxton said. "**We need this kind of secrecy in our nuclear weapons programs, not in our international economic policy.** The ESF is an important part of U.S. international economic policy, but most Americans have never heard of it. The American people have the right to know how billions of their tax dollars are being used.

"Excessive secrecy is part of an even larger problem: the lack of accountability to Congress or the American people. Although it is part of the U.S. government, the ESF and its operations (except for administrative costs) are not subject to Congressional appropriations or approval. The executive branch has virtually exclusive control of the ESF, its policies and its operations. My legislation would change this unhealthy lack of balance in economic policy.

"The new ESF reform legislation will mandate transparency by requiring the public release of monthly statements from the ESF disclosing its finances, operations, policies, and any related monthly changes. Exceptions will be provided for information that is market-sensitive or related to national security.

"The ESF reform also would require Congressional approval for any use of the ESF in excess of $1 billion, except in certain cases when the President provides a public written certification that an imminent and serious danger to international financial markets exists. This would help restore needed balance in international economic policy and facilitate effective Congressional oversight. The legislation would also limit the authority to monetize the special drawing rights (SDRs) of the International Monetary Fund (IMF) held in the ESF.

"The ESF is a key element of the U.S. government's financial relationship with the IMF. A continued push for IMF transparency will not be as effective without much more openness at the ESF. For example, in recent weeks, part of the IMF-designed Brazil rescue package was triggered involving the ESF, but there has been virtually no public disclosure of this fact.

"The ESF is involved in the Brazilian bailout through a complicated and obscure arrangement with the Bank for International Settlements (BIS), an institution that is at least as secretive as the IMF. This type of arrangement creates the potential for important policy decisions involving the U.S. government to be hidden from the view of Congress and the public, and this is simply not acceptable," Saxton concluded.

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

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