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VICE CHAIRMAN JIM SAXTON

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IMF GOLD SALES FUNDS WOULD BE DIVERTED FROM DEBT RELIEF

– Lack of IMF Transparency and Reform Reflected in IMF Proposal –

WASHINGTON, D.C. — Nearly half of the proceeds of the gold sales proposed by the International Monetary Fund (IMF) would be diverted away from debt relief, Vice Chairman Jim Saxton of the Joint Economic Committee said today. Although the IMF and the Treasury have failed to explain publicly and thoroughly their proposal for IMF gold sales, the available information indicates that about 45 percent of the funds ostensibly raised for debt relief would not be used for this purpose. In fact, in the first several years it appears that more of the resources could go directly to accounts under the control of the IMF than would be available for debt relief.

"The little information that is publicly available suggests several reasons why the IMF might not want to explain its gold sales proposal in a transparent manner," Saxton said. "Though these gold sales were initially presented as a means of financing debt relief, it has now become clear that nearly half of the revenue would be used for other purposes.

"This underscores the need for a thorough public presentation and discussion of the IMF plan, most of which remains veiled in secrecy. Such a presentation would demonstrate how these gold sales amount to disguised IMF contributions by taxpayers of the donor nations. Nobel Laureate Robert Mundell recently described the central bank sales of gold at recent price levels as 'idiotic.' IMF gold sales under similar market conditions could also be considered rather dubious.

"The Saxton-Kucinich legislation introduced last month mandates that available IMF funds be used only for debt relief, and this general position has attracted increasing support in Congress. However, the Administration is resisting Congressional attempts to target available resources on debt relief. This reflects the inconvenient fact that much of the proceeds of the gold sale will go directly to the IMF or to IMF administered accounts, not to debt relief. The lack of transparency is understandable since this diversion of funds is difficult for the IMF and Treasury to justify.

"Another inconvenient point is that the IMF gold sales proposal is based on spurious transactions that have no economic content. The exclusive purpose of this scheme is to evade the IMF's own rules. If a finance ministry under IMF supervision or a private financial institution attempted something similar, the IMF might well condemn it. The laundering of an asset to evade one's own rules not only sets a bad precedent, but also provides a poor example to institutions in many countries already prone to similar questionable practices.

"The bottom-line is that the IMF's debt relief plan is self-serving and is designed to perpetuate the status quo. The failed policies embodied in the Enhanced Structural Adjustment Facility (ESAF) would be continued under a new name. As I have pointed out, it will take more than the Orwellian step of renaming this program to undo the widespread damage that it continues to inflict.

"The ESAF should be terminated, and the IMF as a whole should refocus itself on short-term lending in foreign exchange crises to pre-qualified borrowers. The drift of the IMF into development banking has been a colossal mistake, and one that Congress should not endorse by rubber stamping another IMF contribution at taxpayer expense. The IMF should be forced to pay for its own mistakes out of its ample resources provided by the generous support of the taxpayers of the donor nations, " Saxton concluded.

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

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