CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
June 10, 1999

Press Release #106-35
Contact: Christopher Frenze
(202) 225-3923

IMF BORROWING ADVANCED IN NEW BRETTON WOODS STUDY

-- IMF Quota Increase Shown To Be Unnecessary --

WASHINGTON, D.C – Private sector borrowing by the International Monetary Fund (IMF) is a "real and imperative option," according to an innovative new study released yesterday by the Bretton Woods Committee. The study supports the position that IMF private sector borrowing is a viable alternative to quota increases, a position advanced last year by Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) in the form of House Concurrent Resolution 207, introduced on February 3, 1998.

"This study makes an important contribution to the ongoing debate about IMF finances," Saxton said. "The study finds that private sector borrowing by the IMF is a compelling alternative to continual IMF quota increases. The over-reliance on quotas as a source of funding is found to involve 'costly inefficiency.' Although I don't agree with every aspect of the study, it advances the analysis of IMF finances in several key respects, including transparency, taxpayer cost, loan subsidies, and the IMF's devolution into development and structural lending. The Bretton Woods Committee is to be commended for publishing a study that challenges the conventional official view of the IMF on several fronts.

"According to the study, one of the major objections to this borrowing option in official circles is the increase in IMF transparency and accountability it would generate. However, this increased transparency should be seen as a positive, not a negative, result. The study raises a number of other points that also independently corroborate and extend JEC research on the IMF," Saxton concluded.

For example, the official view that the IMF is costless to taxpayers is refuted as annual U.S. taxpayer costs are significant; the study's methodology suggests these costs could be at least half a billion dollars annually. The notion that the IMF is a kind of credit union also is refuted. Instead, members are "divided into distinct factions of suppliers and users of resources…" In addition, "The transfer of funds is no longer alternating but one-way. Lending rates are subsidized and cannot be raised without the consent of the borrower group." These issues were all central to the research and hearings conducted by the JEC during Congressional consideration of the IMF quota increase.

Last year, Saxton argued that an IMF bond issue of about $60 billion should be considered as an alternative to the quota increase. The new study further substantiates this argument, and even points out that an IMF bond issue now would permit repatriation of some of the excess resources paid in by the U.S. According to the study, "In the case of the United States, approximately $11 billion of excess drawings would be recovered, permitting a reduction in U.S. Treasury debt across the maturity spectrum."

The new study, *Private Sector Financing for the IMF: Now Part of an Optimal Funding Mix,* is authored by Dr. Adam Lerrick, and is available from the Bretton Woods Committee.

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

###