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NEW IMF REFORM PROPOSAL WELCOMED BY SAXTON -- IMF Reforms Needed for International Stabilization --

WASHINGTON, D.C. – A new proposal to redesign the International Monetary Fund (IMF) and the global financial architecture was welcomed today by **Joint Economic Committee (JEC) Chairman Jim Saxton (R-N.J.)**.

Professor Charles Calomiris of Columbia University presented his sweeping proposal today at the American Enterprise Institute. Among other things, the Calomiris plan would end IMF use of subsidized, below-market interest rates. It would also tighten membership standards by requiring safeguards through basic domestic banking reforms, thereby limiting moral hazard problems endemic to the IMF.

“The Calomiris IMF reform proposal is sure to spark intense controversy in coming months,” Saxton said. “His plan is comprehensive, focused and specific, unlike so much of the discussion about the global financial architecture. I’m encouraged to see this IMF reform would end the IMF’s subsidized lending at below-market interest rates. That is an objective that also is targeted in my more limited IMF reform legislation.”

The Calomiris proposal’s integration of domestic banking policy with IMF membership would preclude members unwilling to implement prudent domestic banking standards. The thrust of these reforms would sharply limit the moral hazard problems so characteristic of current IMF activities.

Under the Calomiris scenario, IMF loans would be short-term in maturity, avoiding the current IMF practice of tying up large sums of its funds in longer-term loans. The IMF loans would aim to provide liquidity to illiquid but not insolvent borrowers. Intrusive loan conditions that attempt to micro-manage borrowers’ domestic policies would be unnecessary.

“Professor Calomiris is to be commended for his vision and for the important contribution his ideas will make,” Saxton said. “I plan to adopt as much of this proposal as possible in new legislation providing long-term IMF reform. In my view, the current discussion of IMF appropriations is only the first installment of an ongoing IMF debate over the future.”

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