



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

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PRESS RELEASE

For Immediate Release
October 8, 1998

Press Release #105-182
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IMF REFORM PROGRESS NOTED BY SAXTON — End to IMF Loan Subsidies Possible —

WASHINGTON, D.C. – An end to interest rate subsidies provided by the International Monetary Fund (IMF) in its standard loan packages would be a positive step, **Chairman Jim Saxton (R-N.J.) of the Joint Economic Committee (JEC)** said today. The end of below-market IMF loan interest rates has become a focus of IMF reform negotiations, based on provisions first introduced in Saxton's *IMF Transparency and Efficiency Act*, H.R. 3331.

"An end to IMF interest subsidies in its standard loans would be a good beginning in IMF reform," Saxton said. "We have come a long way since last winter when even the existence of these subsidies was questioned by IMF supporters. If these negotiations are successful, at least the recipients of IMF bailouts no longer will receive subsidized interest rates as a matter of course. Through the year, my efforts in this area focused on near-term and limited IMF reform, though the underlying economic principles have a much broader application in the longer run."

"As an advocate of IMF reform, I am pleased that limitations in the maturity of IMF loans also are under consideration," Saxton said. "A thorough IMF reform would combine an end of interest subsidies, limits on loan maturities to under one year, collateral requirements for borrowers, a requirement that countries establish minimum capital standards for IMF membership, and the elimination of intrusive and often counterproductive loan conditions. Several weeks ago, I endorsed IMF reforms that include these elements, which I plan to introduce early in the next Congress."

"Yesterday the JEC received testimony from Professor Charles Calomiris of Columbia University, the author of this comprehensive plan to reform the IMF," Saxton said. "Dr. Calomiris should be commended for his clear, methodical, and focused proposal to restructure the IMF to ensure that it does more good than harm."

"I would have to say, however, that I am very disappointed in the refusal of the Treasury and IMF to accept meaningful reforms to significantly increase IMF transparency in these negotiations," Saxton said. "As a general proposition, we'll have to reserve judgement on these reform negotiations until final language is resolved."

Copies of Calomiris' testimony and his study prepared for the JEC are available at the Committee's website at www.house.gov/jec/. Copies of the *IMF Transparency and Efficiency Act* and much other material relating to IMF reform are also available.

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