CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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IMF GOLD RESTITUTION LEGISLATION INTRODUCED

– Bill Would Block Gold Sales Plan –

WASHINGTON, D.C. – Legislation to block all gold sales by the International Monetary Fund (IMF) except in the form of restitution was introduced today by Joint Economic Committee Vice Chairman Jim Saxton and co-sponsored by Majority Leader Dick Armey. The legislation, *The Gold Restitution Act of 1999*, effectively requires the United States to veto IMF gold sales unless they are in the form of restitution to member countries. The bill does not require or promote gold sales, but would prevent proposals allowing the IMF to benefit from gold sale profits at taxpayer expense.

"This legislation simply ensures that the IMF will not profit from gold sales at the expense of the taxpayers," Saxton said. "My own view is that the IMF gold should be retained for the foreseeable future and viewed in part as a loan loss reserve. However, if the IMF wishes to gradually dispose of the gold at some future point, this bill ensures that the large hidden potential gold profits are returned to the member countries and their taxpayers, and not retained by the IMF bureaucracy for its own purposes.

"The Administration's gold sales proposal attempts to tap into the significant market value of gold held by the IMF that is not reflected on the IMF's balance sheet. The gold is carried on the IMF's books at $47 per fine ounce, relative to its market price of about $260 per fine ounce. Over $20 billion in market value is hidden on the IMF balance sheet (though hinted at in a footnote). This hidden reserve is what is being tapped to finance most of the Administration proposal to bail out the IMF's soft loan program. It looks like a 'free lunch' until one realizes that the proper alternative is to return the gold surplus to the member countries for the benefit of their taxpayers.

"As I have pointed out previously, the Administration proposal is simply a way to finance a policy objective in a way that evades transparency and accountability. Such back door financing of international economic policy is neither appropriate nor desirable. Instead of supplying more funds to facilitate the continued operation of the IMF's failing and highly subsidized soft loan program, this program should be terminated. Moreover, debt relief can be funded by the curtailment of IMF loan subsides, private sector borrowing, or other means.

"Now that the cat is out of the bag and the hidden costs of the Administration's IMF gold sales proposal have been exposed, I expect Congress will reject it. From the start, this proposal was unnecessary, half-baked, inefficient, and counterproductive. Given the choice of channeling billions to the IMF bureaucracy or reserving it for the taxpayers, it is virtually impossible to think that Congress will endorse this disguised IMF funding proposal," Saxton concluded.

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