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VICE CHAIRMAN JIM SAXTON

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GOLD SALES WOULD BENEFIT IMF AT EXPENSE OF TAXPAYERS

– Hidden Funding for IMF Initiative –

WASHINGTON, D.C. – Proposed gold sales by the International Monetary Fund (IMF) will encounter even greater resistance in Congress once the U.S. financing role is fully understood, Vice Chairman Jim Saxton of the Joint Economic Committee predicted today. The largest single source for the profits from IMF gold sales is the U.S., whose past gold contributions would appear to account for at least 30 percent of the resulting profits. Alternatively, the restitution of this undervalued IMF gold to the U.S. and other donor nations would allow the resulting profits to fund initiatives under consideration in the legislatures of the donor countries.

“At least part of the gold could be restituted to the countries that paid it in, and this would benefit the taxpayers of these nations,” Saxton said. “This restitution would return the resulting profits from past U.S. contributions into the realm of the democratic process in the United States. Congress could then consider alternative uses for these funds.

“As an alternative to this restitution to the U.S. and its taxpayers, it has been proposed that the IMF appropriate these profits to bail-out its failing soft loan program. This proposed IMF bail-out at the expense of the taxpayers of the U.S. and other nations merits close scrutiny,” Saxton said. “While the IMF gold sales may seem like the proverbial ‘free lunch,’ the source and cost of funds contributed by major donor nations are cloaked in obscure IMF accounting. A non-transparent back-door financing scheme is no way to finance international economic policy or to avoid Congressional oversight of IMF failures.

“The fact remains that the proposed IMF gold sales are ill-conceived and completely unnecessary. The IMF gold sales plan lacks transparency, relies on hidden sources of funding, would perpetuate a failed IMF loan program, and facilitates the status quo including exorbitant subsidies in IMF lending operations. The failing IMF concessionary lending facility (Enhanced Structural Adjustment Facility) should be closed, and the IMF’s devolution into another World Bank should be halted.

“The IMF has several superior alternatives to finance debt relief such as curtailing its interest rate subsidies and moving towards private sector borrowing. The proposed gold sales are an inordinately complicated and inefficient way of generating a relatively small stream of interest payments. The IMF and Treasury should fully explain how this plan would work and quantify how much interest would be annually generated for debt relief. Once it becomes clear how modest the interest generated by the plan would be, there should be little support for the gold sales.

“If these surplus funds cannot be returned to the donor nations, Congress, as steward of the taxpayers, should carefully monitor the use of these funds. It is unfortunate that this proposal was not fully presented in a manner that would facilitate policy analysis and public understanding in keeping with the standards of transparency the IMF seeks to impose on others. The IMF and the Treasury have an obligation to present this proposal in a fully transparent way,” Saxton said.

The past U.S. contribution appears to account for at least 30 percent of IMF gold holdings that are booked at far below market value on the IMF’s balance sheet. The difference between the book price (equal to $47 per troy ounce) and the current market price ($259 per ounce) amounts to about $22 billion. While only a relatively small part of this surplus would be used initially, the proposal opens the door to accelerated gold sales to finance various IMF proposals in the future.

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

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