



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
September 9, 2004

IMF'S FORMER RESEARCH DIRECTOR CALLS FOR END TO IMF LENDING

Press Release #108-150
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WASHINGTON, D.C. – Vice Chairman Jim Saxton welcomed remarks by the International Monetary Fund's (IMF) former research director, Kenneth Rogoff, who said in a recent issue of *The Economist* that “**the Fund would serve better if it made no loans.**” Professor Rogoff's statement came at the same time as the IMF's independent evaluation office documented the negative outcome of the Fund's lending activities in Argentina. The recent developments are consistent with the Joint Economic Committee's findings regarding the counterproductive nature of IMF loan subsidies.

“As the IMF celebrates its 60th birthday, it is in its own interest to reform its operations,” Saxton said. “The fiasco in Argentina documented by the IMF's independent assessment office provides yet more evidence of the counterproductive effects of subsidized IMF lending. Congress has a number of reasons for concern about IMF lending policies, and the related exposure of taxpayer funds.

“If periodic approval of IMF capital increases were once viewed as tantamount to votes of confidence in the IMF, that confidence is sorely lacking today. For many years, the IMF used its insularity and secrecy to stray far beyond its authorized role, and now finds itself without significant support in Congress. When its former research director calls for an end to IMF lending, it is clear that a fundamental rethinking of its role is long overdue,” Saxton concluded.

As a long-time critic of IMF loan subsidies, Saxton has sought to curb IMF lending and make IMF finances more transparent. Saxton's 1998 IMF reform legislation mandated an end to IMF secrecy, and establishment of an “independent advisory board to review the research, operations, and loan programs of the International Monetary Fund.” To discourage IMF lending, Saxton's reform legislation also mandated the use of risk-adjusted interest rates on IMF loans. Several provisions of Saxton's bill pertaining to transparency and interest rate reforms were attached in a modified form to the 1998 IMF appropriations legislation.

Extensive research and hearings by the Joint Economic Committee during the 1998 debate examined a number of troubling issues concerning IMF loan subsidies and operations, and identified significant costs to taxpayers. With the increased transparency brought about by the 1998 reform legislation, the fiction that the IMF is costless has become untenable. Recently the Congressional Budget Office found that the amount of IMF subsidies was equal to over one-half its portfolio of outstanding loans.

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