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JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

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IMF GOLD SALES TO FACE INTENSE CONGRESSIONAL SCRUTINY

— Extensive Review of IMF Finances Underway —

WASHINGTON, D.C. – The proposed gold sales by the International Monetary Fund (IMF) face intense Congressional scrutiny in coming months and an increasingly uncertain future, Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. Majority Leader Dick Armey recently asked Saxton and the JEC “to carefully examine the economic and financial issues involved,” noting that the proposed gold sales raise serious policy questions.

“I can guarantee that the IMF gold sales proposal will face tough scrutiny and review in Congress in coming months,” Saxton said. “The JEC will be examining this proposal in the full context of IMF finances and policies, as requested by Majority Leader Armey. It would be inappropriate and unwise for officials of the IMF or Treasury to prejudge Congressional consideration of this proposal. **Congress has made no commitment to support the proposed gold sales, and until it disposes of this matter there can be no official U.S. government approval.**”

“The comments yesterday by an IMF official suggesting optimism about Congressional consideration of IMF gold sales were especially questionable. The IMF and Treasury should be informed that there is no groundswell of support for IMF gold sales in Congress, and that skepticism and opposition are building.

“There is considerable concern that in the end this may provide a back-door way to expand IMF usable resources. The vagueness of the proposal and its financial implications reflect the lack of transparency characteristic of IMF policy initiatives. Furthermore, with about 25 percent of its outstanding credits owed by Russia, and 70 percent of outstanding credit owed by only five nations, it is reasonable to ask whether further erosion of the IMF balance sheet is desirable at this time. The devolution of the IMF into another World Bank should be halted.

“The IMF and Treasury also should be prepared to explain why the IMF continues its policy of deeply subsidized interest rates, including its current standard loan interest rate of 3.5 percent. If the IMF needs additional resources to fund debt relief, it can easily do so by charging market interest rates on its loans. I am concerned about the unwillingness of the IMF to comply with the reform legislation passed last year that mandates the use of market interest rates in typical IMF bailouts.

“If the IMF and Treasury wish to make a case for gold sales to increase resources, they must explain why the IMF insists on depressing its inflow of interest payments by setting artificially low interest rates. However, the case for deeply subsidized interest rates is indefensible on economic grounds. Instead of gold sales, the IMF should use market interest rates on all of its loans, and it should close its concessionary loan programs,” Saxton concluded.

For more information on the IMF, please visit the JEC website at <http://www.house.gov/jec/>.

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