



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

JIM SAXTON, CHAIRMAN

Contact: Chris Frenze

Phone: 202-225-3923

Fax: 202-226-3950

CHRISTOPHER FRENZE

EXECUTIVE DIRECTOR

PRESS ADVISORY

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Asian Bailout Framework Questioned By Chairman Saxton --Indonesia Model For IMF Bailouts Deepens Concerns--

WASHINGTON, DC -- The U.S. Treasury's design for the Asian bailouts conducted by the International Monetary Fund (IMF) was questioned today by **Joint Economic Committee (JEC) Chairman Jim Saxton (R-NJ)**. As Saxton noted, the Treasury's plan for the regional bailouts was modeled after the Indonesian bailout. The bailout is now widely questioned as Indonesia falls deeper into economic crisis.

"The fact that the Indonesian bailout is the model used by Treasury and IMF for the other bailouts does not inspire confidence, given current events in Indonesia," Saxton said. "While I have expressed concerns about the Asian bailouts from the beginning, the sensitivity of the situation required some discretion. However, given the current situation in Indonesia, it is clear that my concerns about the exposure of U.S. taxpayer money and disclosure of information have been validated."

Austerity plans imposed by the IMF include counterproductive elements that will impede economic recovery. The attempt to address serious problems in these economies will be undermined, not helped, by the imposition of macroeconomic policies that depress growth.

Since the beginning of the Asian crisis, the IMF and Treasury were misinformed about the regional economic implications of the problem and were caught unprepared. Given the planned expansion of IMF activities in the next few years, now is a good time for a serious reexamination of the role of the IMF, its funding, and its operational procedures. Now is an opportune time for the Treasury to explain its policy regarding the value of the dollar in foreign exchange markets since the strong dollar is an important factor influencing events in Asia. **The Administration's request to Congress for more IMF funding is in jeopardy until these bailout concerns are addressed.**

Over the past few months, Saxton has pointed out several problems with the Treasury/IMF bailout framework:

- Saxton warned that the Treasury would probably use U.S. taxpayer money despite assurances to the contrary. In the case of Korea, some of the U.S. "backup" funds have already been used. The Treasury's prominent public role in planning the bailout strategy only increases the exposure of U.S. funds in Korea and other countries.
- More transparency is needed in Treasury and IMF operations, particularly in disclosure of loan terms, involving taxpayer funds.
- The IMF depends too heavily on funds provided by taxpayers in the U.S. and elsewhere. In December, Saxton called for the issuance of IMF bonds to lessen the over-reliance on taxpayer funding.
- Inadequate attention has been given to adopting policies that minimize the chances for more bailouts

in the future (i.e. the "moral hazard" problem).

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G-01 Dirksen Senate Office Building • Washington, DC 20510 • (202) 224-5171 Fax (202) 224-0240 • www.house.gov/jec/



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