



CONGRESS OF THE UNITED STATES
JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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**IMF ADVISED TO FOREGO QUOTA INCREASE
-- SAXTON REQUESTS GAO REVIEW OF IMF OPERATIONS --**

WASHINGTON, D.C. – Joint Economic Committee (JEC) Chairman Jim Saxton warned the International Monetary Fund (IMF) today that an IMF request for more resources from donor nations would face strong and widespread bipartisan opposition in Congress. Saxton’s remarks were a reaction to recent signs that the IMF is attempting to lay the groundwork for consideration of a significant increase in IMF quota resources contributed mainly by the G-10 donor nations.

“Once again IMF officials are trying to justify the prospect of another huge round of taxpayer-funded contributions,” Saxton said. “The IMF seems to believe that its supply of taxpayer resources should expand perpetually as world output expands. However, Congress has the responsibility to examine carefully how efficiently and effectively taxpayer resources are used.

“For example, during the last quota debate, JEC research uncovered the fact that the IMF did not have lending safeguards and accounting controls in place despite the disbursement of many billions of dollars over several decades. In the wake of legislation introduced to address this problem, the IMF finally is now starting to implement some basic accounting standards, but the effectiveness and breadth of their application remains to be seen. The IMF’s past and current record in this area will be of great interest to Congress in considering any future IMF quota increase.

“We also know that despite the appearance of shared sacrifice given by any quota increase, the reality is that most IMF members immediately pull out their usable quota contributions and substitute useless paper instead. An in-depth review of this practice by Congress also has important implications for proposals to reallocate IMF quotas, voting rights, and IMF resources.

“Of course, the central issue is whether the IMF really needs a huge new infusion of taxpayer money. In the last quota debate, conflicting statements were made about an alleged shortfall of IMF resources. I argued that IMF resources were at a higher level than were officially represented, and this conclusion was corroborated by a 1999 report by the General Accounting Office (GAO). As was also pointed out in 1998, the IMF can also borrow a significant amount of resources in private credit markets, as well as tap its own credit lines. With interest rates at very low levels, IMF borrowing would be an especially appropriate alternative to a quota increase.

“In addition to a JEC analysis of these issues, I also have requested a new GAO report to review the effectiveness of certain aspects of IMF operations. If the IMF does proceed with a proposed quota increase, we need to ensure that Congress will have access to much more information than was available in previous debates on this question,” Saxton concluded.

For more information, including extensive JEC hearings and studies of IMF reform, please visit the JEC website at www.house.gov/jec.

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