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VICE CHAIRMAN JIM SAXTON

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IMF CHIEF'S COMMENTS ON REFORM WELCOMED

WASHINGTON, D.C. – New International Monetary Fund (IMF) chief Horst Koehler's comments on IMF reform were welcomed today by Vice Chairman Jim Saxton of the Joint Economic Committee (JEC). Koehler indicated an interest in IMF reform at a news conference yesterday, and announced the formation of an IMF working group to explore this issue.

"Managing Director Koehler's comments suggest an openness to IMF reform that is quite encouraging," Saxton said. "Koehler noted the need for the IMF to focus its activities on monetary and financial issues, and to clearly distinguish its role from that of the World Bank. Koehler comes from a tradition in the German government that is fairly conservative in economic and financial policy, including issues related to the IMF. His open-minded attitude towards IMF reform is refreshing, although not entirely surprising given Koehler's professional association with officials such as Hans Tietmeyer, who held several important posts including the head of the Bundesbank.

"During the selection process I noted that Tietmeyer represented the kind of candidate that would be very desirable as IMF managing director from the standpoint of IMF reform advocates. I am hopeful that Koehler will be able to lead a reformed IMF forward at this important juncture in international economic policy. He has indicated a willingness to listen to all sides, and that is all anyone can reasonably expect at this point.

"Even under an open-minded IMF chief, the effort to reform the IMF will be difficult and time consuming. Any sizable government bureaucracy tends to rely heavily on inertia and is naturally resistant to major change. Congress must maintain and broaden the pressure that has resulted in significant improvements in IMF financial transparency, improved lending safeguards, and accountability. Reform should target excessive IMF loan maturities and interest subsidies, limit the IMF to crisis lending, and end development lending. Last February I introduced the *IMF Reform Act of 2000* (H.R. 3750) to mandate these policy changes, and would expect that subsequent legislation will build on many of these same ideas," Saxton concluded.

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