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OPENING STATEMENT CHAIRMAN JIM SAXTON (R-N.J.)

Joint Economic Committee

On IMF Funding, Resources and Reform

Press Conference of July 20, 1998, with House Majority Leader Dick Armey (R-Texas)

Thank you all for coming to be with us today. As you may know, I have been trying to gain the public release of the IMF budget and other documents for many months. The lack of IMF transparency has made it very difficult to get useful information about IMF finances since the IMF budget is treated essentially as a classified document.

While this push for IMF transparency since last fall probably has prompted the release of some additional facts, the available information on IMF finances is still very inadequate. The IMF seeks additional taxpayer money, but does not want a serious public examination of its finances and operations.

To remedy this situation, several months ago I asked the General Accounting Office (GAO) to review public and secret IMF financial documents and present an overview of IMF finances to the Joint Economic Committee.

This would provide the financial information helpful to Members of Congress whatever their views about IMF funding and reform. Today I am announcing that the JEC hearing on IMF finances and the lack of transparency will be held this Thursday at 10 a.m.

The GAO will be there to present the facts and figures, not to support any particular point of view. I believe, however, that after this hearing there will be much more transparency in IMF finances than ever before.

My own view is that the impoverishment of the IMF is more than a bit exaggerated. The IMF and Treasury argument is that the IMF has been drained of funds, and there is no alternative but a massive taxpayer-funded quota increase. This is simply not the case. Quotas are only one major source for IMF bailout funds.

What the IMF and the Treasury don't like to talk about is that the IMF's own guidelines permit a significant use of borrowing; an amount of at least \$60 billion of additional resources would be within the guidelines used in the past.

The IMF could have been issuing bonds for many months and could still do so, but has made a policy decision not to. While it is obviously true that the bailouts have resulted in an outflow of resources from the fund, it is not true that the IMF is helpless and cannot increase its usable resources on its own. In the past, upwards of 40 percent of fund credit has been financed by borrowing.

There is a good bit of contradictory information floating around about IMF finances because of the lack of transparency. But the IMF's own code states that budgets should "be presented in a way that facilitates policy analysis and promotes accountability." This is a good standard for transparency, and one the IMF itself should apply to its own accounts.

The IMF has about \$43 billion in quotas, \$30 billion in gold, \$23 billion in the General Arrangements to Borrow (GAB). This amounts to \$96 billion in resources. Even with the Russian loan taken into account, the IMF would have over \$75 billion left.

Under IMF guidelines the agency could borrow another \$60 or \$70 billion. This overall picture is not what the finances of an impoverished organization would look like.

Advocates of the IMF argue as though quota contributions are the only possible source of IMF funding. If this were true, one could make a case that the IMF was running dry. The IMF is not totally dependent on quotas, however, and has used borrowing in the past to finance a large part of its lending.

The IMF clearly can borrow in private financial markets, but has chosen not to do so. It has made itself overly dependent on government funding not by necessity, but by choice.

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