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VICE CHAIRMAN JIM SAXTON

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IMF SHELL GAME RAISES QUESTIONS – IMF's Lack of Transparency Produces Few Answers –

WASHINGTON, D.C. — A plan to change the ownership of IMF assets temporarily for the sole purpose of evading IMF rules requires a full public explanation, Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. This plan is the essence of the gold sales proposed by the International Monetary Fund (IMF), which require Congressional approval.

“IMF rules state that the gold it currently holds must be valued in a specific way,” Saxton said. “However, if the ownership of the gold currently held by the IMF is shifted to an outside entity, even if only for an instant, then the proposal would treat this gold as if it were now new and not covered by these IMF rules. The book value of this gold can then be altered, even though it is the same gold held by the IMF before. It is not surprising that the IMF and Treasury do not want to publicly explain this proposal in any detail.

“The IMF gold sales would be undertaken not for any intrinsic economic purpose, but for the sole purpose of evading IMF rules. The momentary change in the ownership of the gold is a ruse that contradicts the purpose and intent of the IMF’s own articles. If this practice were proper, the IMF long ago could have used these kind of gold sales to render its rules meaningless. This is the kind of thing that one might expect from a shaky IMF borrower, not the IMF itself.

“This procedure does, however, provide a convoluted way for the IMF to tap gold profits that should ultimately be returned to donor nations and their taxpayers. The cost to U.S. taxpayers would be well over half a billion dollars.

“The IMF and the Administration have an obligation to fully explain the gold sales proposal before Congress considers it. Whether or not an adequate official explanation is forthcoming, Congress should conduct a debate on this subject in the full context of IMF financial operations. The IMF should explain why nearly half of the proceeds of the proposal will not go for debt relief, and why alternative sources of financing have not been considered. The IMF also needs to spell out how the expansion of the Enhanced Structural Adjustment Facility (ESAF) will avoid recreating the debt burden problems now under discussion.

“Furthermore, the IMF should clarify why it does not pay any interest to the U.S. on part of the reserves the U.S. provides. According to a recent GAO report, the U.S. has been shortchanged by the IMF to the tune of \$2.7 billion on a cumulative basis. This is just one of the many subsidies U.S. taxpayers have generously provided the IMF over many years.

“The new IMF gold sales proposal raises a number of important questions, but none of them are being answered,” Saxton concluded.

For more information on the IMF and international economic policy, or to read the recent JEC study, *IMF Gold Sales in Perspective*, please visit our website at www.house.gov/jec.

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