



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
August 6, 1999

Press Release #106-50
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IMF GOLD SALES THREATEN TAXPAYER INTEREST -- New JEC Study Documents Defects of Proposed IMF Gold Sales --

WASHINGTON, DC – Proposals to tap International Monetary Fund (IMF) gold reserves would come at the expense of billions of dollars to IMF donor members and their taxpayers, according to a new study released today by Joint Economic Committee (JEC) Vice Chairman Jim Saxton. The new JEC study, *IMF Gold Sales In Perspective*, demonstrates how tapping hidden IMF gold reserves would expend resources that otherwise could be set aside for eventual return to IMF donor members and their taxpayers. Under the IMF proposal, these reserves would be used as part of the IMF contribution to provide debt relief for poor nations.

“This study shows how tapping the hidden IMF gold reserve will cost taxpayers billions, regardless of whether open market gold sales or some other mechanisms are used,” Saxton said. “The cost to U.S. taxpayers alone would amount to about half a billion dollars. The study also underscores the characteristic lack of IMF transparency since the details of the proposed IMF gold sales have been kept confidential.

“As I have said before, what little information is available on the proposal indicates that it has been poorly thought-out. I have called for this proposal to be withdrawn by the IMF and the Treasury, but remain concerned that the Treasury subsequently may simply have made a tactical retreat. Given the choice between reforming the IMF and tapping more taxpayer money, it is not hard to conclude that the first resort of the IMF and Treasury will be the taxpayer. The Treasury may be reformulating this exceptionally poor proposal, but whatever new form it takes will likely have similar effects on the taxpayer.

“There are alternative ways to finance the Heavily Indebted Poor Countries initiative, but several of these would entail genuine IMF reform. For example, reduction of exorbitant IMF interest subsidies could provide the needed funds, but charging low interest rates (currently about 3.8 percent) is central to IMF operations. The IMF’s flawed development lending program (ESAF) could be closed and its reserves, which are in excess of \$2 billion, could be made available for debt relief. The real problem is that the IMF and the Treasury want to preserve the status quo, so real reform is out of the question and the taxpayer’s interest is not considered.

“The fact that one-third of IMF lending from its main account is owed by Russia and Indonesia alone highlights IMF loan exposure. My view is that the gold should be retained as part of a loan loss reserve for the foreseeable future, and that eventually it should be restituted to the donor countries and their taxpayers. The IMF should also be reformed to stop its drift towards becoming another development bank, and lending to dubious credit risks. The IMF is not the World Bank and it should stop operating in similar ways.

“IMF reform is needed, and such reform could fund debt relief in a variety of ways. Unfortunately, this path has not been seriously considered. Congress has done its job in blocking an ill-conceived proposal, but will need to scrutinize any new IMF gold proposal very carefully to ensure it would not recreate many of the same problems,” said Saxton.

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