



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

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Saxton Urges Openness On Treasury's IMF Asian Bailout Plan

--Secretary Rubin's Support For Transparency Needed At Home--

WASHINGTON, DC – Joint Economic Committee (JEC) Chairman Jim Saxton (R-NJ) today called on the U.S. Treasury Department to fully explain the U.S. sponsored Asian bailout plan and any possible implications for U.S. taxpayers. According to recent press accounts, Treasury successfully wrested responsibility for designing the Asian bailout plan from the Japanese Ministry of Finance. This result is reflected in a November 20, 1997, *Wall Street Journal* article entitled, "**Asia Reaffirms U.S. Primacy On Bailouts.**" In the past 24 hours, it has become clear that the cost of these bailouts could be extremely high, with figures ranging to \$80 billion for South Korea alone.

Chairman Saxton's statement follows:

"According to press reports, the Treasury-designed bailout plan is based on the model of the Indonesian bailout. I am concerned about this, because the Indonesian bailout includes potential U.S. funding, and similar U.S. commitments may exist in the new regional bailout package. Clearly, if the U.S. designed plan encounters financial problems, it would be hard to shift the financial responsibility to other countries. Even if the IMF is designated as the first line of defense, the astronomical bailout figures now in the media clearly suggest that U.S. funds could become involved. If this is the case, then Congress and the taxpayers have a right to know the terms of the Manila plan and any related U.S. financial commitments. Secretary Rubin has rightly called for openness and transparency from the Asian financial ministries, and the Treasury should adopt the same approach."

A recent Treasury Department press release does state, "A cooperative financing arrangement would supplement IMF resources," but does not describe the terms of such assistance, its potential amount, or whether U.S. funds might be involved. In general, the lack of information makes it impossible to rationally evaluate the feasibility of the Manila plan, its potential costs, the possible exposure of U.S. funds, and the potential "moral hazard" posed to other debtor nations.

As Saxton has pointed out before, transparency in government provides more information to financial markets, promotes better decision-making, limits speculation, and acts as a stabilizing force. Under a transparent approach to policy, unnecessary volatility and the potential for disruptive surprises are minimized. More openness and transparency also promote better public policy by informing the Congress and the public about important decisions and how they are made.

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