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JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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IMF MAY BENEFIT MOST FROM INITIAL PROCEEDS OF PROPOSED GOLD SALES

-- Call for Retraction of IMF/Treasury Proposal Renewed --

WASHINGTON, D.C. – "The International Monetary Fund (IMF) and Treasury should withdraw their proposal for IMF gold sales in the face of insurmountable Congressional opposition," Vice Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. Saxton's comments followed the first public disclosure of the huge costs to the U.S. generated by the proposed gold sale in a JEC hearing yesterday that included testimony from the General Accounting Office.

"The bottom line is that this IMF proposal would cost the U.S. government and taxpayers about half a billion dollars ($495.4 million), relative to restitution," Saxton said. "The costs of this proposal are now circulating on Capitol Hill, and this information will further harden Congressional opposition. It is clear that even many of those most sympathetic to the IMF are not going to support IMF gold sales. The disclosure of the direct benefits provided to the IMF under the proposal will probably be the last straw. **The proposal should be withdrawn by the IMF and the Treasury.**

"The IMF may reap a larger direct financial benefit from its proposed gold sales than the amount of funds available for HIPC relief in the first several years. It appears that about half a billion of the debt relief proposal would go directly to the IMF, while the funds made available for debt relief would be about $120 million annually. The proposal would be phased-in and thus would take some time to fully implement, but it appears that the benefits to the IMF would be greater than for HIPC for at least several years. No wonder the IMF and Treasury have not publicly released the figures detailing their proposal."

On July 1, Saxton and Majority Leader Armey introduced the *Gold Restitution Act of 1999*. This legislation would block all gold sales except those providing restitution of gold to member countries. Under restitution, the IMF would sell gold to member countries at a price currently equal to about $47 dollars (SDR 35) per fine ounce, and the potential profits would be retained by members for their own purposes. These potential profits arise from the disparity between the purchase price of $47 per fine ounce and the market value of about $256 per fine ounce.

"The taxpayer costs of the IMF gold proposal relative to true restitution is a critical factor. If the IMF were to come up with an even more complicated way of tapping the U.S. share of IMF gold reserves, this taxpayer cost would still be present and lead to its defeat in Congress. Webster's dictionary defines restitution as 'a giving back to the rightful owner of something that has been lost or taken away; restoration.' For an organization noted for its unclear and confusing terminology, the use of this clear and unambiguous term by the IMF itself suggests that the member countries have a legitimate claim on the hidden IMF gold reserve. This cost to the U.S. should be fully accounted for in the consideration of related proposals," Saxton said.

"I am also pleased yesterday's JEC hearing produced new information on the costs of U.S. participation in the IMF and related issues. The subsidized provision of funds to the IMF by the U.S. and other donor members, the cost to the U.S. and its taxpayers from the proposed IMF gold sales, and the inadequate accounting of these and other costs in the U.S. budget involve multi-billion dollar issues that for too long had been hidden or obscured," Saxton said.

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