CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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IMF GOLD SALES WOULD BE BLOCKED EXCEPT FOR RESTITUTION

– Legislation Would Protect Taxpayers' Interest –

WASHINGTON, D.C. – New legislation will soon be introduced to block proposed IMF gold sales, Joint Economic Committee (JEC) Vice Chairman Jim Saxton announced today. The new legislation would prevent IMF gold sales unless they are in the form of a restitution to the member countries in proportion to their contributions during the period when gold was the central resource of the IMF.

The restitution would be at book value at a price far below the current market price and comparable to that at which the gold originally was contributed. The difference between the official IMF price of gold equal to $47 per fine ounce and its market price of $260 creates a huge hidden IMF reserve, and the potential for sizeable profits on gold sales. At issue is whether profits from gold sales should go to the IMF or to the member countries from whence the gold originally came.

"This new legislation will highlight the choice before Congress as it considers the IMF gold sales plan," Saxton said. "**The IMF can mine these gold profits only by drilling the taxpayers.** The gold can be used either to bailout the IMF and its failing lending program, or to benefit the taxpayers who financed these contributions in the first place. Once Members of Congress examine the facts and realize that approximately $22 billion in gold profits and taxpayer benefits could ultimately be at stake, the gold sales proposal should be in even greater jeopardy.

"The IMF gold sales proposal taps a hidden reserve of gold profits that otherwise could be returned to contributing countries and their taxpayers. This proposal would set a bad precedent since about $22 billion in potential taxpayer benefits would be placed at risk over the longer run. If this proposed gold sales plan goes forward, it will be only a short time until the IMF proposes additional sales.

"Of the $22 billion or so of potential gold profits, the U.S. share could be in the range of at least $5-6 billion. Although the current gold sales proposal is relatively modest, there is the potential danger that the gold profits may be regarded as a bonanza for future proposals. This legislation would put all of these potential gold profits out of the reach of IMF functionaries and encourage their eventual return for the benefit of taxpayers.

"In the immediate future, the bulk of the gold should be retained as a sort of loan loss reserve given the IMF's heavy exposure in Russia, Indonesia, and elsewhere. Once it is prudent to consider limited and gradual gold sales, restitution to members should be given the highest priority.

"The lack of clarity and openness in the current proposal shows how an absence of financial transparency can be adverse to the interests of taxpayers and sound policy. It is unfortunate that a complete disclosure and explanation of the implications of the IMF gold sales proposal was never made by its proponents," Saxton concluded.

For more information on the IMF and international economics, please visit our website at www.house.gov/jec.

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