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CHAIRMAN JIM SAXTON

PRESS RELEASE

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IMF SUBSIDIES SHOULD BE ON-BUDGET AND APPROPRIATED

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Contact: Christopher Frenze
Executive Director
(202) 225-3923

WASHINGTON, D.C. – A bill to require that hidden subsidies provided by U.S. taxpayers to the International Monetary Fund (IMF) be included in the budget process has been introduced, Chairman Jim Saxton said today. The legislation requires that the cost of these IMF subsidies be disclosed, included in the federal budget, and subject to the appropriations process. The Congressional Budget Office (CBO) has documented massive subsidies in IMF lending activities.

“Taxpayer subsidies are a central feature of IMF lending, and their cost should be accounted for and subject to the budget process,” Saxton said. “For many years U.S. taxpayers have provided billions of dollars in subsidies to the IMF amid official assurances that IMF lending is riskless and ‘doesn’t cost taxpayers a dime.’ However, analyses by the Joint Economic Committee (JEC), CBO, and others have exposed the fact that IMF lending does entail substantial risk and taxpayer cost.

“The principles of transparency and accountability require that the taxpayer cost of these subsidies for the IMF be displayed in the federal budget and subject to the appropriations process. The notion that IMF lending is riskless has always been far-fetched, especially considering the fact that basic lending safeguards and accounting controls were not in place through virtually the IMF’s entire history. The artificially low interest rates charged by the IMF result in massive taxpayer subsidies that should be accounted for. The IMF’s own financial statements also should be reformed to reveal these subsidies, and additionally to improve their conceptual transparency and intelligibility,” Saxton concluded.

The CBO has found that the value of IMF loan subsidies is so large that it can actually exceed the market value of its loan portfolio. According to a CBO analysis, as of June 2003, “the IMF had a portfolio of outstanding loans with a book value of \$121 billion. However, valued using the market prices of comparable private-sector bonds, the portfolio would be worth \$60 billion. That is, IMF members lent \$121 billion in exchange for assets with an estimated value of \$60 billion, and thereby provided subsidies of about \$61 billion.”

With regard to the U.S. contribution to the IMF, the CBO analysis also noted that the “current budgetary treatment does not fully reflect the U.S. share of the credit risk associated with the lending and other transactions” of the multilateral financial institutions.

For more information on IMF reform, please visit our website at www.house.gov/jec