



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

JIM SAXTON, CHAIRMAN

CHRISTOPHER FRENZE
EXECUTIVE DIRECTOR

PRESS RELEASE

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IMF HEARING ADVISORY UPDATE

WASHINGTON, DC -- The Joint Economic Committee (JEC) will hold a hearing on the International Monetary Fund (IMF) and international economic policy at 10 a.m., Tuesday, May 5, 1998, in 2237 Rayburn House Office Building.

“During the past eight months, the JEC has been examining the issues raised by a proposed expansion of the IMF,” said **JEC Chairman Jim Saxton (R-NJ)**. “For example, the excessive secrecy of the IMF and its use of subsidized interest rates contradict the goals of transparency and economic efficiency. Furthermore, a large IMF bureaucracy operating behind a veil of secrecy is not consistent with accountability in public policy. We are fortunate to have such distinguished witnesses before the Committee to discuss these and other issues.”

Saxton previously has identified five areas of concern about the IMF:

- **Moral hazard:** IMF bailouts encourage investors to assume additional risk in pursuit of extra normal returns in the expectation that losses may be absorbed by the IMF.
- **Loan subsidies:** Subsidized interest rates encourage economic inefficiency and exacerbate the moral hazard problem. Currently, the standard IMF loan rate is about 4.5 percent.
- **Transparency:** The IMF is a closed and secretive organization that operates in a manner inconsistent with U.S. performance and accountability standards. This is why Chairman Saxton has recently requested a General Accounting Office (GAO) review of IMF finances.
- **Exposure of taxpayer funds:** U.S. government funds are used directly and indirectly in subsidized bailouts that promote perverse incentives leading to a more vulnerable financial system.
- **Inappropriate conditions:** Counterproductive policies that undermine economic performance are sometimes imposed by the IMF as loan conditions.

HEARING TOPIC: The International Monetary Fund and International Economic Policy

WHEN: Tuesday, May 5, 1998

TIME: 10 a.m.

WHERE: 2237 Rayburn House Office Building

WITNESSES: Panel 1
George P. Shultz
Distinguished Fellow, Hoover Institution

Panel 2
William A. Niskanen
Chairman, CATO Institute

Paul A. Volcker
Former Chairman, Board of Governors, Federal Reserve System

Lawrence B. Lindsey
Resident Scholar, American Enterprise Institute

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