

Congressman Ron Paul U.S. House of Representatives February 27, 2002 Statement on Ending US Membership in the IMF

Mr. Speaker, I rise to introduce legislation to withdraw the United States from the Bretton Woods Agreement and thus end taxpayer support for the International Monetary Fund (IMF). Rooted in a discredited economic philosophy and a complete disregard for fundamental constitutional principles, the IMF forces American taxpayers to subsidize large, multinational corporations and underwrite economic destruction around the globe. This is because the IMF often uses the \$37 billion line of credit provided to it by the American taxpayers to bribe countries to follow destructive, statist policies.

For example, Mr. Speaker, the IMF played a major role in creating the Argentine economic crisis. Despite clear signs over the past several years that the Argentine economy was in serious trouble, the IMF continued pouring taxpayer-subsidized loans with an incredibly low interest rate of 2.6% into the country. In 2001, as Argentina's fiscal position steadily deteriorated, the IMF funneled over 8 billion dollars to the Argentine government!

According to Congressman Jim Saxton, Chairman of the Joint Economic Committee, this "Continued lending over many years sustained and subsidized a bankrupt Argentine economic policy, whose collapse is now all the more serious. The IMF's generous subsidized bailouts lead to moral hazard problems, and enable shaky governments to pressure the IMF for even more funding or risk disaster."

Argentina is just the latest example of the folly of IMF policies. Only four years ago the world economy was rocked by an IMF-created disaster in Asia. The IMF regularly puts the taxpayer on the hook for the mistakes of the big banks. Oftentimes, Mr. Speaker, IMF funds end up in the hands of corrupt dictators who use our taxpayer-provided largesse to prop up their regimes by rewarding their supporters and depriving their opponents of access to capital.

If not corrupt, most IMF borrowers are governments of countries with little economic productivity. Either way, most recipient nations end up with huge debts that they cannot service, which only adds to their poverty and instability. IMF money ultimately corrupts those countries it purports to help, by keeping afloat reckless political institutions that destroy their own economies.

IMF policies ultimately are based on a flawed philosophy that says the best means of creating economic prosperity is through government-to-government transfers. Such programs cannot produce growth, because they take capital out of private hands, where it can be allocated to its most productive use as determined by the choices of consumers in the market, and place it in the hands of politicians. Placing economic resources in the hands of politicians and bureaucrats inevitably results in inefficiencies, shortages, and economic crises, as even the best intentioned politicians cannot know the most efficient use of resources.

In addition, the IMF violates basic constitutional and moral principles. The federal government has no constitutional authority to fund international institutions such as the IMF. Furthermore, Mr. Speaker, it is simply immoral to take money from hard-working Americans to support the economic schemes of politically-powerful special interests and third-world dictators.

In all my years in Congress, I have never been approached by a taxpayer asking that he or she be forced to provide more subsidies to Wall Street executives and foreign dictators. The only constituency for the IMF is the huge multinational banks and corporations. Big banks used IMF funds- taxpayer funds- to bail themselves out from billions in losses after the Asian financial crisis. Big corporations obtain lucrative contracts for a wide variety of construction projects funded with IMF loans. It's a familiar game in Washington, with corporate welfare disguised as compassion for the poor.

The Argentine debacle is yet further proof that the IMF was a bad idea from the very beginning- economically, constitutionally, and morally. The IMF is a relic of an era when power-hungry bureaucrats and deluded economists believed they could micromanage the world's economy. Withdrawal from the IMF would benefit American taxpayers, as well as workers and consumers around the globe. I hope my colleagues will join me in working to protect the American taxpayer from underwriting the destruction of countries like Argentina, by cosponsoring my legislation to end America's support for the IMF.