



The IMF Needs Support from Congress

Edwin M. Truman explains that a measure before Congress will strengthen the International Monetary Fund's ability to stabilize the world economy, at no cost to US taxpayers.

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Steve Weisman: The United States Congress faces an important vote on the International Monetary Fund. This is Steve Weisman at the Peterson Institute for International Economics with Edwin M. Truman of the Institute to tell us about the importance of that vote. Ted, at stake is the future ability of the IMF to stabilize the world economy. Explain.

Ted Truman: The IMF is the central global institution in charge of global macroeconomic and financial stability. The United States is the principal member of the fund with more than 15 percent of the votes in the fund. This piece of legislation is designed to promote the reform of the governance of the International Monetary Fund. It is a package that the United States administration crafted in the G-20 process and therefore this is a test of U.S. leadership, as well as our commitment to this central institution in the international and economic and financial arena.

Steve Weisman: Some reports suggest that there is money involved in this legislation, which might give heartburn to some in Congress. Explain that first.

Ted Truman: As far as the United States is concerned, there is not any new money in total. The legislation requires a reallocation of money from one account through which we support the International Monetary Fund to another. It moves some \$64 billion from our commitment to the New Arrangements to Borrow [NAB], which is one account, to our IMF quota, another account. But the total U.S. financial commitment to the fund is unchanged. There may be some change in the scoring of the two between the NAB commitment and the quota commitment. There may be some slight positive budgetary scoring involved, but it would be in the few hundred million dollars range, rather than the \$64 billion dollar transfer from one account to the other.

Steve Weisman: When you say positive, you mean costing the U.S. that much or accounting for it?

Ted Truman: Given the archaic way that we do our accounting, you decommit to Account A, the NAB, that gives a positive amount, and you then recommit the same amount of funds to Account B, the quota. That gives you a negative amount and that negative amount may be higher than the positive amount. There would be a small charge under the credit format.

Steve Weisman: But why is the money issue of reallocating that sum of money crucial to the governance issues, which have less to do with funding, but more to do with the representation on the fund taking into account shifts in economic influence in the world?

Ted Truman: The reallocation of our particular commitment to the fund is part of an overall package that does two other things.

Steve Weisman: Which are?

Ted Truman: First, the total of all quotas in the fund will double approximately. In the process of doubling the quotas for the membership as a whole, some quotas associated with voting shares will be reallocated towards the large and dynamic emerging market in developing countries.

Steve Weisman: And away from?

Ted Truman: And away from principally the European countries and other advanced countries.

Steve Weisman: But not the United States?

Ted Truman: The United States' voting quota share stays unchanged. The second element, which is tied to the first element, is that an amendment of the Articles of Agreement -- the element that requires our vote to make all executive directors elected -- the Europeans have agreed to reduce their occupancy of chairs on the Executive Board by 2 shares, going from approximately 8 chairs on a 24 member Executive Board to 6 chairs on the Executive Board. That gives more voice to emerging market in developing countries.

Steve Weisman: Is there anyone in Congress who objects to that portion of it, or is the money causing the problem?

Ted Truman: One doesn't know. The International Monetary Fund is an international organization. Some people in Congress and the general public don't like international organizations. This isn't the United Nations, but it is the International Monetary Fund. Some people on the one end of the spectrum don't like the International Monetary Fund, because they see it as promoting poverty. At the other end of the spectrum, they see the International Monetary Fund as promoting socialism.

Neither is particularly true, but if you come from the opposite ends of those spectrums, you might see the IMF in that light. So the IMF traditionally has not been always a popular or beloved organization, and of course there is some domestic politics in this. This is a major initiative of the Obama Administration. The President went to Seoul and committed the United States to this agreement.

Steve Weisman: Back in....

Ted Truman: Back in 2010. This is a question of delivering on that promise.

Steve Weisman: Is there a deadline on this?

Ted Truman: They originally agreed it was going to be done by November of 2012. We obviously missed that deadline. There's no deadline because these things sit around until they are approved. Given that this is our U.S. package, our failure to enact the package at this stage, given that enough other countries have approved the package, it becomes an issue of whether the United States will approve. If the United States doesn't approve, it will stall.

Steve Weisman: Does this have bipartisan support to a degree in both Houses? Where is the problem?

Ted Truman: We really don't know at this point. I think the better point to think about is the fact that a group of people have recently sent a letter to the leadership and the membership in the House and Senate with 132 signatures. Among those signatures are 20 odd signatures from officials from every President of the United States since Carter, who have served in the United States Treasury and Senate in confirmed positions. This is a bipartisan issue, at least as viewed by people who have been in the Treasury over the last 40 years.

Steve Weisman: When do you think this might happen —by the end of the year?

Ted Truman: My understanding is that the administration would like to have this element included as part of the discussions over the Continuing Resolution. By the end of the month or whenever those discussions are completed, we will know whether they have been successful in getting the Congress to incorporate this in their adjustments in the Continuing Resolution.

Steve Weisman: Thank you, Ted.

