



AMERICANS FOR LIMITED GOVERNMENT

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Dec. 8, 2011

U.S. Treasury Secretary Timothy Geithner
U.S. Department of Treasury
1500 Pennsylvania Ave. NW
Washington, D.C. 20220

To Secretary Geithner:

Recently, at a press conference with German Finance Minister Wolfgang Schaeuble you denied that the Federal Reserve will be financing a boost of funding for the International Monetary Fund (IMF).

While that is certainly reassuring, please recall that it took Freedom of Information Act requests being enforced by federal courts and an audit ordered by Congress to reveal trillions of dollars of emergency loans given to foreign banks by the Federal Reserve during the financial crisis, and also \$442.7 billion given directly to purchase agency-issued mortgage-backed securities. How are taxpayers to know if you are telling the truth? How can they even verify what role the Fed may be currently playing in Europe?

You also failed to object to other plans to boost the IMF's capacity to lend to troubled sovereigns in Europe by simply borrowing the money, whether from China, Brazil, or the European Central Bank. The IMF is only allowed to borrow monies from central banks "to replenish its holdings on any member's currency" as per Article VII of its Articles of Agreement. It cannot borrow money in order to boost its own lending capacity. The only way to do that would be to expand the IMF's quotas, which requires congressional consent in the U.S. The requirement of sovereign approval of any increase of IMF resources is the only means taxpayers have to control how much of their money flows through the Fund.

Since the U.S. provides 17.72 percent of the Fund's finances, if it were to borrow the money, but then the European debts default anyway, the IMF would still have to repay the source of the funds. Would not the U.S. then still be on the hook? The IMF cannot legally expose members to liabilities of this nature. It is your duty to categorically state that U.S. taxpayers will not back up or cover any European bailout through the IMF, whether through an increase of its quotas or by borrowing the funds through a house of cards scheme.

Sincerely,

William Wilson
President
Americans for Limited Government

CC: House Speaker John Boehner, Senate Majority Leader Harry Reid, Senate Minority Leader Mitch McConnell, and House Minority Leader Nancy Pelosi