

THE WHITE HOUSE
WASHINGTON

April 16, 2009

Dear Mr. Leader:

I write to ask you to support an essential component of our overall strategy to restore the health of the U.S. economy and financial system: the U.S. proposal to expand significantly the resources available to the International Monetary Fund (IMF) through its New Arrangements to Borrow (NAB) and a set of other proposals to strengthen the IMF.

The NAB is a mechanism through which the IMF can obtain supplemental financial resources for use in its lending operations when the IMF's existing resources are substantially drawn down in the face of circumstances that threaten the stability of the international monetary system. The NAB with 26 members was established in 1998, building upon a similar mechanism, the General Arrangements to Borrow, which was created in 1962. The size of the NAB is currently \$50 billion.

The global economic crisis is seriously affecting emerging markets and developing countries, which are now experiencing severe economic declines and a massive withdrawal of capital. The deteriorating conditions threaten to worsen the recessions in these countries and could cause currencies to collapse. Together, these factors, particularly if they become more acute, will further lower global growth and, as we saw during the Asian financial crisis, they will cause U.S. growth, jobs, and exports to fall even more sharply.

Treasury Secretary Geithner concluded that the size of the NAB is woefully inadequate to deal with the type of severe economic and financial crisis we are experiencing, and I agree with him. For that reason, we proposed an expansion of the NAB of up to \$500 billion (of which the U.S. participation would be up to \$100 billion) and a further enlargement of its membership to include increased participation by the major emerging market

countries, in particular China and India. We consulted broadly with the Congress on our NAB proposal before we raised it internationally at the G-20 Summit. Other countries are looking to the United States to deliver on our commitment.

The meeting in London with the leaders of the other G-20 countries focused on adopting a common strategy to restart global growth and secure international financial stability for the future. A central element of that strategy was the U.S. proposal to increase the capacity of the IMF to lend to its members, primarily to developing and emerging market countries facing economic and financial difficulties. We also pledged our support for several other aspects of our participation in the IMF that require congressional action: an IMF quota reform to allow the IMF's governance structure to keep pace with the rapid growth and increasing significance of dynamic emerging economies; an IMF gold sale and related amendments to reform the IMF's income model and provide support for the poorest countries; and an amendment to permit a special one-time allocation of Special Drawing Rights, reserve assets created by the IMF based on a basket of key currencies, that will increase global liquidity and will support the IMF in promoting global financial stability. These reforms should be considered alongside the proposed NAB expansion.

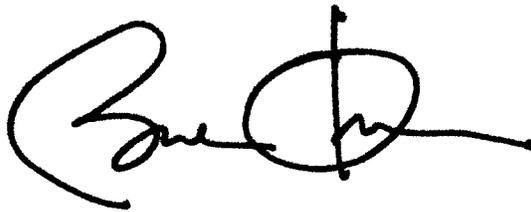
An increase in our participation in the NAB requires the Congress to pass legislation authorizing such participation, which is what we are requesting. Such participation effectively represents an exchange of assets rather than a budgetary expenditure, and it will not result in budgetary outlays or any increase in the deficit. That is because when the United States transfers dollars to the IMF under the NAB, the United States receives in exchange another monetary asset in the form of a liquid, interest-bearing claim on the IMF, which is backed by the IMF's strong financial position, including its significant holdings of gold. Similarly, our increased participation in the NAB does not constitute a request for budget authority; it is conceptually similar to investing government funds in a financial asset with minimal or no risk and is consistent with the findings of the 1967 President's Commission on Budget Concepts.

Our proposal to increase U.S. participation in the NAB by up to \$100 billion as part of an overall increase of \$500 billion was warmly endorsed by the G-20 Leaders. We jointly committed to making substantial progress in reforming and expanding the NAB by the spring IMF meetings on April 25 with a view to having the

NAB expansion in place within a few months. I am asking for your help to deliver on that commitment by supporting inclusion of the NAB and related IMF proposals in the most timely legislative vehicle that will enable the United States to act quickly. Rapid progress is essential to the restoration of confidence in the global economy and financial system so that the global economy can emerge from recession to recovery and to sustained growth.

Therefore, I would welcome your strong endorsement of speedy congressional action on these important initiatives and your agreement that a reformed and expanded NAB as part of a stronger and more responsive IMF is essential to reestablishing the well-being of the global economy and financial system and, consequently, our own economic recovery.

Sincerely,

A handwritten signature in black ink, appearing to read "Boehner". The signature is fluid and cursive, with a large initial "B" and a distinct "ner" at the end.

The Honorable John A. Boehner
Minority Leader
House of Representatives
Washington, D.C. 20515