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SAXTON RENEWS CALL FOR CLARIFICATION OF TREASURY'S DOLLAR POLICY

WASHINGTON, D.C. – The U.S. Treasury Department should explain its current dollar policy and the rationale behind it, Chairman Jim Saxton of the Joint Economic Committee (JEC) said today. Last Monday, Saxton called on Treasury for a clarification of dollar policy given the rapid fall of the yen on foreign exchange markets. On Tuesday, the Treasury announced plans for a high level delegation to visit Japan, and on Wednesday directed intervention in the foreign exchange market without detailed explanation.

“The U.S.-Japan intervention in the foreign exchange market raises a number of questions regarding U.S. dollar policy,” Saxton said. “The factors behind current U.S. dollar policy and their relative importance have not been publicly explained by the Treasury. Until the objectives of U.S. dollar policy are clarified, financial markets will be left to speculate about U.S. intentions in coming weeks. The longer-term success of intervention without fundamental policy changes is doubtful, as is widely recognized.

“A commitment by the Japanese government to stimulate Japanese economic growth through tax cuts and similar measures, as the U.S. government has urged for some time, is to be commended. The Japanese economic slump has continued too long and has important implications for neighboring economies.

“The strength of the dollar also has implications for U.S. policy. This is why the dollar, along with commodity prices and bond yields, is one of the forward-looking inflation indicators the JEC uses to assess the stance of monetary policy. The recent strength of the dollar suggests that the leadership of the Federal Reserve was correct to resist calls for a tightening of monetary policy and higher interest rates. Such action likely would have aggravated the yen depreciation and the related economic problems in other Asian economies,” Saxton concluded.

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