



CONGRESS OF THE UNITED STATES

# JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

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## PRESS RELEASE

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## CLARITY AND OPENNESS IN TREASURY DOLLAR POLICY NEEDED – Reform of Exchange Stabilization Fund Long Overdue –

WASHINGTON, D.C. – A study calling for a more open, transparent, and consistent U.S. dollar policy was released by Joint Economic Committee (JEC) Vice Chairman Jim Saxton today. The study, *Transparency and U.S. Dollar Policy*, recommends a set of reforms promoting a less secretive U.S. dollar policy.

"Current dollar policy violates normal transparency guidelines in a number of ways," said Saxton. "Policy objectives are seldom spelled out and intervention goals are unclear. Furthermore, the Exchange Stabilization Fund (ESF) is overly secretive and its financing methods are sometimes obscure. Additionally, current informational reporting is not nearly as transparent as it could be.

"The study lists a number of specific recommendations to improve the clarity and transparency of dollar policy," noted Saxton. These recommendations include the following:

- Establish clear, understandable dollar policy objectives consistent with monetary policy goals.
- Promote clear, understandable procedures for intervention activity.
- Require more transparent dollar policy reporting from institutions charged with foreign exchange management responsibilities.
- Clarify dollar policy responsibilities of the Treasury vis-à-vis the Federal Reserve.
- Insist on a more transparent and reformed ESF.
- Establish rigorous oversight procedures for these reforms.

The study also reviews the "trilemma" of international economic policy: of three important policy objectives – domestic price stability, international capital mobility, and fixed exchange rates – only two of these three are achievable at any time. Given the support for domestic price stability and international capital mobility, economic forces will determine the exchange value of the dollar. In other words, under current arrangements, the value of the dollar will be determined by economic fundamentals, and exchange rate intervention will likely not be effective.

"Reforming the Exchange Stabilization Fund is a key recommendation of the study," noted Saxton. Included in specific recommendations for the ESF are elements of the *ESF Transparency and Accountability Act* (H.R. 1540). These specific reforms would go a long way toward improving the openness and accountability of ESF operations and financing methods.

For more information on the ESF and international economics, please visit our website at [www.house.gov/jec](http://www.house.gov/jec).

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