



CONGRESS OF THE UNITED STATES

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Clarification of U.S. Dollar Policy Needed — Elimination of Exchange Stabilization Fund Examined —

WASHINGTON, D.C. — A study suggesting a clarification and revamping of policy toward the U.S. dollar was released today by **Joint Economic Committee (JEC) Chairman Jim Saxton (R-N.J.)**.

Entitled *U.S. Dollar Policy: A Need for Clarification*, the study recommends such reforms as improved coordination of monetary and foreign exchange policy, increased transparency, and consideration of eliminating the Exchange Stabilization Fund (ESF). The study documents the constitutional authority of Congress for regulating the value of money and how such authority was delegated to the Federal Reserve and the Treasury earlier this century.

“The economic landscape has changed dramatically since the time of that delegation of power, resulting in an inconsistent, contradictory structure of decision-making,” Saxton said. “The international monetary system has been transformed, and capital mobility has substantially increased. But, no reliable standard has anchored the price system and replaced the once reliable commodity standards of earlier periods. Dollar policy remains ill-defined and overly secretive.”

The recent instability in financial markets has raised the issue of reforming international economic policy to the top of the agenda. However, the time has passed when the Administration could exercise a monopoly in making such important policy decisions without adequate disclosure, accountability, and congressional participation. According to the JEC study, Congress could reassert its constitutional authority and take the following steps:

- Re-establish a reliable, credible anchor to the price system by mandating inflation targets for Federal Reserve monetary policy.
- Insist on a clarification of dollar policy: define what does and what does not constitute appropriate dollar policy, and delineate proper roles for both the Federal Reserve and Treasury Department.
- Consider consolidating dollar policy powers in the Federal Reserve System and eliminating the Exchange Stabilization Fund.
- Insist on a more transparent dollar policy from those institutions charged with foreign exchange management responsibilities.
- Establish rigorous procedures and exacting criteria for congressional oversight of dollar policy.

The new study can be obtained by contacting the JEC at (202) 224-5171 or by viewing the JEC’s website at www.house.gov/jec/.

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