U.S. DOLLAR POLICY: A NEED FOR CLARIFICATION

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November 1998

Executive Summary

Congress has constitutional authority for regulating the domestic and external value of money. This paper describes how that authority was first implemented and later delegated to the Federal Reserve and U.S. Treasury earlier this century.

Since that time, however, the economic landscape has changed dramatically. The international monetary system has been transformed and capital mobility has substantially increased. No reliable, credible standard has anchored the price system and replaced the once reliable commodity standards of earlier periods. Dollar policy remains ill-defined and overly secretive. These new circumstances make the earlier, fragmented delegation of monetary power contradictory and inconsistent.

These inconsistencies need to be recognized and corrected. Congress should consider reorganizing monetary responsibilities to provide a more consistent, transparent, and credible overall monetary authority. Congress could reassert its constitutional authority and:

- 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. Delineate proper roles for both the Federal Reserve and Treasury Department.
- 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.

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INTRODUCTION AND SUMMARY

Ultimate constitutional authority over matters relating to money and its value rest with the U.S. Congress. Congressional power is clearly evident in pre-1930 legislation affecting the value of money and in subsequent congressional legislation delegating this authority.[1] Executive Branch monetary powers are derivative, delegated to the Executive Branch by Congress.[2]

For most if its history, the U.S. economy operated as a small, open economy adhering to an international commodity standard. In these circumstances, Congress defined the dollar's metallic content and, thereby, anchored the dollar's value in terms of both tradable goods and foreign currency linked to this standard. In defining the dollar's value, therefore, Congress simultaneously determined both the price level and the foreign exchange rate.[3] "Regulating" the domestic value of money and the foreign exchange rate was the same policy; monetary policy and dollar policy were not independent. Furthermore, dollar policy under these arrangements was relatively transparent; everybody understood it.

In 1913, while still operating under a fixed exchange rate, international commodity standard, Congress in effect delegated short-term responsibilities for managing money and credit as well as providing lender-of-last resort (LOLR) services to the (newly created) Federal Reserve. The Federal Reserve's role under these circumstances was to maintain convertibility of the currency by manipulating money and credit so as to keep the foreign exchange value of the dollar within its gold

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[1] See, for example, Table 3.1 (p.15) in Lawrence Officer, *Between the Dollar- Sterling Gold Points*, Cambridge University Press, Cambridge, 1996.

[2] See, for example, Stephen D. Cohen, *The Making of United States International Monetary Policy* (Third Edition), Praeger, New York, 1988, pp. 98-99; James M. Buchanan and T. Nicolaus Tideman, "Gold, Money and the Law: The Limits of Governmental Monetary Authority," *Gold, Money, and the Law*, edited by Henry Manne and Roger LeRoy Miller, Aldine Publishing Company, Chicago, 1975, pp. 29-30, 41.

[3] For a description of the operation of a small open economy under fixed exchange rates, see Thomas M. Humphrey and Robert E. Keleher, *The Monetary Approach to the Balance of Payments, Exchange Rates, and World Inflation*, Praeger, New York, 1982, chapters 5, 6.

points.[4] In so doing, the Federal Reserve maintained fixed exchange rates and a price level anchored to the level of global prices. The Federal Reserve's role was limited; it was to operate within specific objectives circumscribed by the Congress.

In the 1930s, the Federal Reserve's ineptness in conducting monetary policy, failure to serve as lender-of-last resort, and seeming unresponsiveness to the public will led Congress to delegate important monetary powers to the Executive Branch and specifically to the Treasury.[5] Congressional legislation provided for Executive Branch power to devalue the currency, to intervene in the foreign exchange market (establishing Treasury's Exchange Stabilization Fund), and even to influence bank reserves.[6] This delegation of power to Treasury left the structure of monetary responsibilities fragmented and ill-defined, particularly since part of the rationale for this delegation subsequently was removed by legislation in 1935.

This fragmentation of monetary policy responsibilities left matters ill-defined under the postwar Bretton Woods System. But confusion worsened with the breakdown of this System into an anchorless fiat money arrangement (under flexible exchange rates) in the early 1970s. Under floating exchange rates, the objectives of monetary and dollar policy change dramatically. Until a new, credible price anchor is re-established, a good deal of uncertainty will disturb financial markets; this situation requires that monetary and dollar policy be clarified and made consistent and transparent. In particular, Federal Reserve monetary policy should receive a congressional mandate for price stability as in the recent House Bill (H.R. 2360) sponsored by Joint Economic Committee (JEC) Chairman James Saxton (R-NJ).[7] But dollar policy also needs direction, definition, and clarification so it is consistent with Federal Reserve policy. Congress must reassert its authority over these policies by reinstituting vigorous oversight practices. If it does not, government bureaucracies will pursue self-interested and likely inconsistent monetary and dollar policies which can create further confusion and uncertainty.

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[4] See, for example, Lawrence Officer, *op cit*. Constraining the foreign exchange rate between its gold points means the central bank manages money so as to prevent gold flows from threatening the domestic currency's fixed-rate convertibility to the precious metal. These gold points form exchange rate bounds, outside of which profitable gold arbitrage opportunities exist. Should the exchange rate reach the gold export point, for example, gold would be profitably exported.

[5] In the 1920s and early 1930s, the Federal Reserve , and in particular the Federal Reserve Bank of New York, was seen as inordinately under the influence of bankers who were not responsive to the public will. This problem was to some extent corrected with the 1935 Banking Act, which redirected and concentrated Federal Reserve power to the Board of Governors in Washington, D.C.

[6] See, for example, G. Griffith Johnson, Jr., *The Treasury and Monetary Policy 1933-1938*, Russell and Russell, New York, 1939, pp. 201-207.

[7] For a discussion of the rationale for inflation targeting, see Robert E. Keleher, *Establishing Federal Reserve Inflation Goals*, A Joint Economic Committee study, April 1997.

After describing congressional monetary authority, earlier policy implementation, and congressional delegation of that authority to the Federal Reserve and Treasury, this paper describes inconsistencies of current dollar policy. The case for a clarified, transparent and consistent dollar policy is made. Enhanced congressional oversight responsibilities and efforts are called for.

CONGRESSIONAL AUTHORITY

The U.S. Constitution explicitly gives Congress powers over affairs relating to money, the dollar and the regulation of its value. Article I, Section 8 of the Constitution states: "The Congress shall have power...to coin money, regulate the value thereof, and of foreign coin...". While there are alternative interpretations of the meaning of this authority, congressional power is clearly evident in subsequent legislation affecting the value of money. All decisions relating to selecting the monetary standard (silver, gold or bimetallic), changes in the value of the standard (devaluation or revaluation), or resumption of the standard required acts of Congress.[8] Executive Branch decisions affecting the currency derived their legal basis from Acts of Congress; Executive Branch monetary powers are derivative and delegated to the Executive Branch by Congress.

CONGRESS AND REGULATING THE VALUE OF MONEY UNDER INTERNATIONAL COMMODITY STANDARDS

The significance of congressional monetary authority under international commodity standards is often not recognized by modern readers. For most of its history, the U.S. economy operated as a relatively small, open economy under a fixed exchange rate international commodity (e.g., gold or bimetallic) standard. Under these conditions, the domestic price level or the value of domestic currency in terms of goods was determined by the product of two important prices: 1) The dollar (or mint) price of gold, set by Congress and 2) the price of goods in terms of gold, determined by the world supply of gold relative to goods. This latter price was determined in world markets and outside the control of small open economies. This relationship is summarized in the equation below:

$$P_{\$/goods} = P_{\$/gold} * P_{gold/goods}.$$

As long as the dollar price of gold remained fixed, the small open economy's inflation and price level were determined by world factors not under the influence of domestic policymakers. The only way for the small economy to change the price level (relative to that elsewhere) was to change the dollar price of gold. If other countries were tied to the same commodity (gold) standard, their

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[8] See, for example, Officer, *op.cit.*, p.15 (Table 3.1). Under the Bretton Woods regime, for example, the external value of the dollar was determined by statute; i.e., the dollar's par value could not be altered without congressional authorization (see I.M. Destler and C. Randall Henning, *Dollar Politics: Exchange Rate Policymaking in the United States*. Institute for International Economics, Washington, D.C. 1989, p. 99).

currencies were simply different weights of the same international monetary standard. And so any decision to change the inflation rate relative to global inflation was also a decision to change the foreign exchange rate. Setting the mint price, therefore, determined both the internal and external value of money.[9] In short, there was no distinction between "monetary policy" and "dollar policy;" these policies were one and the same, not independent of one another. The power to make changes in the price level and the foreign exchange rate rested with the same authority, the U.S. Congress. Dollar and monetary policy under these circumstances were relatively simple and transparent; everyone understood them.

Historically, of course, decisions to change the commodity value or foreign exchange value of money were rare, but several monumental decisions relating to devaluation, resumption and bimetallic standards did occur over the years. Nonetheless, these prices were not considered discretionary tools of policy. The day-to-day management of the currency was not seen as in the realm of the country's monetary decision makers.

DELEGATION OF CONGRESSIONAL AUTHORITY

In the 19th and early 20th centuries, it was commonly assumed that international commodity standards (and fixed exchange rates) were the norm. Any suspensions of convertibility and episodes of floating exchange rates were thought to be a temporary phenomenon. In such cases it was believed to be only a matter of time before an international monetary standard (with fixed exchange rates) would be re-established.

THE FEDERAL RESERVE

With continued development of the economy and financial system, there came to be a perceived need for a lender-of-last resort to stem financial volatility associated with bank runs and associated panics. The 1907 financial crisis served as a catalyst in this regard. Accordingly, the Federal Reserve was established in 1913 and operated under an international commodity standard. In effect, Congress delegated limited operating responsibilities to the Federal Reserve. In particular, the central bank assumed LOLR responsibilities and eventually assumed responsibilities for managing money and credit within the parameters of the existing (congressionally mandated) international commodity standard. The Federal Reserve's role was to maintain convertibility of the currency by manipulating money and credit so as to keep the foreign exchange value of the dollar within its gold points. In so doing, the Federal Reserve maintained fixed exchange rates and a price level anchored to the level of global prices; i.e., the Federal Reserve assumed delegated monetary and dollar policy responsibilities to maintain both the internal and external value of the dollar.

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[9] For simplicity, this analysis of a small, open economy assumes an insignificant non-traded sector.

During the 1920s, when a rejuvenated postwar international fixed exchange rate system was being reconstructed, the Federal Reserve Bank of New York actively participated in exchange rate management or dollar policy with other central banks; coordination of international monetary policy occurred. Before the 1930s, therefore, dollar policy was well within the purview of the Federal Reserve.

THE TREASURY DEPARTMENT

During the Great Depression of the 1930s, however, monetary responsibilities were reorganized. Congress delegated significant monetary powers to the Treasury Department. This delegation occurred because of the Federal Reserve's ineptness in conducting monetary policy and failure to serve as LOLR, together with the perception that Federal Reserve policy was controlled (or heavily influenced) by bankers unresponsive to the public will. Congress passed legislation allowing the Treasury Department to change dollar gold prices (devalue the currency), intervene in the foreign exchange market, establish bimetallism, and even affect bank reserves. As one analyst of the period stated:

> Perhaps the most startling aspect of (these) developments (in the early 1930s) is indicated by the extraordinary degree to which Congress has delegated to the Executive the power to make fundamental policy decisions... The President could double or triple member bank reserves, had complete discretion over the gold value — and consequently the foreign exchange value — of the dollar, and could establish bimetallism by proclamation; in other words, he could completely refashion the monetary system of the country[10]...

Notably, the Roosevelt Administration used these powers to alter both the external and internal value of money. These changes were particularly important for dollar policy; they profoundly affected the relative powers of the Treasury vis-a-vis the Federal Reserve with regard to influencing the foreign exchange rate. In fact, the Treasury Department supplanted the Federal Reserve in a number of ways; it took over a number of duties that the central bank previously had performed.

By the 1930s, therefore, Congress had delegated responsibility for "actively managing" monetary and dollar policies to the Federal Reserve and Treasury, respectively. This delegation, of course, is important and carries with it congressional oversight responsibilities for both policies.

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[10] G. Griffith Johnson, Jr., *The Treasury and Monetary Policy 1933-1938*, Russell and Russell, New York, 1939, pp. 201-2. (Parenthesis added)

FRAGMENTED POLICY

This delegation of monetary powers to both the Federal Reserve and Treasury created uncertainties and inconsistencies. It left no single, unambiguous authority for conducting overall monetary policy and regulating both the internal and external value of money. Further, the passage of the 1935 Banking Act concentrated Federal Reserve powers in the Board of Governors (and away from the Federal Reserve Bank of New York), diminishing the role and influence of unelected bankers and, therefore, eliminating part of the original rationale for transferring power to the Treasury. Nonetheless, Treasury was recognized as having authority in the areas of international monetary policy, gold policy and foreign exchange policy. Yet, the Federal Reserve maintained money-creating and LOLR powers, especially after the Treasury-Federal Reserve Accord of 1951. As a result of this fragmented authority, to some extent "dollar policy" came to be thought of as separate and distinct from monetary policy.

Despite these inconsistencies, serious overt conflicts between the two authorities seldom emerged during the Bretton Woods era. This peaceful coexistence resulted partly from the fact that since foreign and not U.S. monetary authorities were responsible for intervening in foreign exchange markets to maintain their dollar parities under Bretton Woods, little direct U.S. intervention took place during this period.[11]

Nonetheless, during this era, U.S. monetary policy gradually reoriented itself toward shorter-term, cyclical domestic (e.g., employment) goals, potentially inconsistent with international (exchange rate) objectives. This inconsistency persisted for a time both because of the implementation of capital controls and the reserve currency status of the U.S. dollar. But eventually, the pursuit of such inconsistent goals brought about the breakdown of the Bretton Woods System.[12]

BREAKDOWN OF BRETTON WOODS

The breakdown of Bretton Woods into an anchorless fiat money arrangement (under flexible exchange rates) in the early 1970s dramatically changed this situation. While overall authority for regulating the value of money was confused under Bretton Woods, this confusion worsened as fiat money and flexible exchange rates came into being. In these circumstances, the objectives of monetary and dollar policy significantly change. With the breakdown of both fixed exchange rates and the linkage to a commodity anchor, the price system's anchor as well as dependable linkages to

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[11] See B. Diane Pauls, "U.S. Exchange Rate Policy: Bretton Woods to Present," *Federal Reserve Bulletin*, November 1990, p. 891.

[12] Specifically, the monetary stimulation deemed essential to pursue domestic goals brought about the balance of payment deficits and eventually gold drains, making Bretton Woods objectives untenable.

other currencies no longer exist. The objectives of Treasury and Federal Reserve policy are left ill-defined, confused and ambiguous. These agencies no longer operate within unambiguous goals set by Congress.[13]

Until new goals are credibly established, a good deal of risk, uncertainty and price volatility likely will prevail in financial markets. Additionally, responsibility for stabilizing the price system and regulating the internal and external value of money is left entirely to the Federal Reserve and Treasury; these agencies are "on their own." If objectives are not clarified, these government bureaucracies will pursue self-interested and likely inconsistent monetary and dollar policies leading to further confusion and uncertainty.

Ultimate constitutional authority for establishing these new goals and for resolving the conflicts among alternative objectives rests with the U.S. Congress. These responsibilities not only involve the specification of clear, understandable, and consistent objectives for monetary and dollar policy, but important oversight responsibilities for these policies as well. These oversight responsibilities become critically important before a fully credible price anchor can be put in place.

CONSISTENT AND TRANSPARENT MONETARY AND DOLLAR POLICY

Circumstances of fiat money regimes require that monetary and dollar policy be clarified and made consistent and transparent. Specifically, with the breakdown of Bretton Woods, Congress has an obligation to establish an understandable alternative anchor for the price system. In particular, Federal Reserve monetary policy should receive a congressional mandate for price stability as exemplified by the recent House Bill (H.R. 2360) sponsored by Joint Economic Committee Chairman, Jim Saxton (R-NJ).

[13] This is especially valid with the re-emergence of capital mobility and the consequent irreconcilable goals of rigid exchange rate management and other (independent) domestic goals for monetary policy. The limitations that capital mobility impose on monetary policy and exchange rate management are sometimes summarized in the concept of an "inconsistent trinity" or "open-economy trilemma." See, for example, Maurice Obstfeld; "The Global Capital Market: Benefactor or Menace?," National Bureau of Economic Research, Working Paper 6559, May 1998, p. 8. As Obstfeld (p. 8) describes it:

> ... a country cannot simultaneously maintain fixed exchange rates and an open capital market while pursuing a monetary policy oriented toward domestic goals. Governments may choose only two of the above. If monetary policy is geared toward domestic considerations, either capital mobility or the exchange rate target must go. If fixed exchange rates and integration into the global capital market are the primary desiderata, monetary policy must be subjugated to those ends. ... (In practice), the greater the attention given to the exchange rate, the more constrained monetary policy is in pursing other objectives.

The arguments favoring such a mandate are numerous, well-known, amply supported, and summarized in previous JEC reports.[14] They will not be reiterated here. Nonetheless, rigorous congressional oversight of an explicit price stability goal is important so that no doubt or uncertainties arise regarding price stability's primal importance to the Federal Reserve.

But as exchange rates continue to fluctuate, it is also incumbent upon Congress to clarify the role of dollar policy in our increasingly open and global integrated economy. To be sure, the dollar should not be ignored given its reserve currency status. More specifically, dollar policy should be defined, made transparent and receive rigorous congressional oversight. In so doing, it should be firmly established that dollar and monetary policy are not independent of one another. Rather, both are integral parts of an overall policy determining the value of money. Any Treasury Department involvement in dollar policy, therefore, must be closely coordinated and made consistent with the monetary policy of the central bank. To ensure consistency, consideration might be given to transferring dollar responsibilities to the Federal Reserve and eliminating the Exchange Stabilization Fund (ESF).

GUIDELINES FOR APPROPRIATE DOLLAR POLICY

With price stability the primary goal of Federal Reserve monetary policy, exchange rate policy must be designed to contribute to and not conflict with this price stability objective. The dollar, for example, should serve not as a policy target, but as an important monetary policy indicator helping to guide policy toward price stability. Since the foreign exchange rate measures the value of money in terms of foreign money, dollar movements signal both changes in inflation and expectations of future inflation relative to that in other countries. Such movements, therefore, are helpful indicators to price stability-oriented central bank policy. More specifically, the dollar exchange rate should be used together with other market price indicators of inflation (e.g., commodity prices and bond yields) in a strategy to achieve and maintain price stability.[15]

The dollar can also serve as an important input in coordinated monetary policy action serving to promote price stability. Should prices be rising worldwide but the dollar appreciating sharply, for example, more restrictive monetary policies may be more appropriate in those countries whose currencies are depreciating rapidly.

Additionally, it is conceivable that <u>unsterilized</u> intervention may be appropriate under certain (limited) conditions; non-sterilized intervention may be a useful part of the central banks' tool kit. But any such intervention should always be transparent, with goals and methods spelled out in

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[14] See, for example, Robert E. Keleher, *Establishing Federal Reserve Inflation Goals*, a Joint Economic Committee study, April 1997.

[15] For a description of such a policy, see Manuel H. Johnson and Robert E. Keleher, *Monetary Policy: A Market Price Approach*, Quorum Books, Westport, Connecticut, 1996.

advance. So long as foreign exchange intervention does not interfere with the price stability objectives, for example, such intervention might be appropriate to minimize unnecessary foreign exchange volatility, overshooting or misalignments and, therefore, promoting smoother workings of the price system. Such unsterilized intervention may be acceptable so long as its criteria and objectives are carefully defined and spelled out ahead of time in a transparent manner.

The fundamental purpose of such dollar policy, however, should not be overlooked. Namely, the primary purpose of foreign exchange rate goals should always be to assist in (or be consistent with) stabilizing the value of money and achieving price stability.

In addition to recognizing what is appropriate dollar policy, it is also important to recognize what is inappropriate exchange rate policy. Since dollar policy can ultimately only contribute to price stability, dollar policy should not be used as:

- a tool to manage trade account (or current account) balances;
- a bargaining chip in trade negotiations; and/or
- a tool in multilateral fiscal or regulatory policy coordination efforts.

TREASURY DEPARTMENT'S ROLE

Unlike under a fixed exchange rate commodity standard when dollar policy goals are easy to describe, there is little precedence for a well-defined Treasury dollar policy role under flexible exchange rates when the central bank operates to achieve price stability. In these circumstances, a well-defined, transparent dollar policy circumscribes the role of the Treasury Department. At a minimum, the Treasury Department certainly should not be pursuing dollar policies that conflict with the Federal Reserve's price stability objective; the policies of these two institutions should be fully consistent. On the other hand, Treasury's dollar responsibilities could be consolidated into a broadened, overall Federal Reserve function and the Exchange Stabilization Fund eliminated in such a restructuring.

In clarifying Treasury's dollar policy under floating exchange rates, however, a number of issues should be addressed. These issues, for example, might include:

- What are the purpose and objectives of Treasury foreign exchange intervention?
- Shouldn't Treasury dollar policy be transparent? Is sterilized intervention transparent?
- How is Treasury foreign exchange intervention financed? Is Federal Reserve "warehousing" consistent with the goal of transparent dollar policy?

- What is the purpose of the Exchange Stabilization Fund (ESF)? Shouldn't its operations be transparent? Shouldn't the funds used by the ESF be subject to the congressional appropriations process?

- If the Treasury Department was given powers because of Federal Reserve errors and institutional peculiarities in the early 1930s that have since been corrected and are no longer relevant, why does Treasury still have such powers?

- If the Federal Reserve fully controls monetary policy, what is the role of the Treasury in G7 negotiations relating to the dollar?

- Should the Federal Reserve assume complete control over dollar policy from the Treasury so that a consistent overall monetary policy can be implemented? Should the Exchange Stabilization Fund be eliminated as part of such a restructuring?

CONGRESSIONAL OVERSIGHT

Congress should not be a bystander in deliberations relating to dollar policy reform; it has ultimate constitutional authority to define such policy. It is for Congress to insist on a clarification of the role of dollar policy under a floating rate regime. Congressional participation in determining foreign exchange objectives obviously should not pertain to minute-to-minute operations or daily management decision-making. Rather, its involvement should be limited to establishing goals and ensuring transparency and accountability of those institutions charged with implementing dollar policy. In so doing, Congress has the responsibility to see that established procedures provide for the achievement of ultimate price stability objectives. In this regard, congressional oversight responsibilities are quite important. Congress should become involved in rigorous foreign exchange oversight to help establish appropriate and consistent goals. Should rigorous oversight not be adopted, those agencies charged with implementing dollar policy will likely pursue bureaucratic self interest, often resulting in secretive, ill-defined, inconsistent policies that often promote unnecessary market uncertainty.

Rigorous congressional oversight of dollar policy should include these important elements:

- Thorough oversight of the foreign exchange policies and operations of the Treasury Department and/or the Federal Reserve, including careful oversight of intervention activity, Exchange Stabilization Fund operations, as well as Federal Reserve warehousing activities. Such oversight should ensure that these policies are consistent with overall objectives of monetary policy.

- Insistence on a much more transparent dollar policy. Clarification of foreign exchange policy objectives and operating procedures can be fostered by insisting on improved, timelier reporting and more frequent and detailed congressional testimony of Federal Reserve and Treasury officials.

- Enhanced oversight of U.S. participation in international organizations such as the G7, IMF and others as this participation pertains to dollar policy and international monetary reform. This would include more transparent reporting of the meetings of these organizations as well as the encouragement of more transparent communiques.[16]

SUMMARY AND RECOMMENDATIONS

Constitutional authority over matters relating to money and its value rests with the U.S. Congress. Under the usual norm of an international commodity standard, Congress fixed the commodity content of the dollar and thereby defined the price level (internal value of money) as well as the foreign exchange (external) value of money. Dollar and monetary policy were one and the same. Under such regimes, Congress delegated monetary powers first to the Federal Reserve and later to the Treasury Department, leaving a fragmented structure of authority for monetary and dollar policy.

Since the collapse of the international monetary system in the early 1970s, no reliable, credible standard has anchored the price system and replaced the once reliable commodity standards of earlier periods. Dollar policy has remained ill-defined and confused. To remedy this situation, Congress could reassert its constitutional authority and:

- 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. 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.

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[16] Congressional participation or representation in meetings of these international organizations also might be appropriate. The rationale for such representation relates to important differences between governments elected under parliamentary systems and the U.S. system of separation of powers. Whereas the Legislative and Executive Branches of governments elected under parliamentary systems are fully represented in G7 or IMF meetings, the U.S. legislative branch is seldom, if ever, represented despite the fact that the Congress is charged with appropriating funds for some of these organizations.

- 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.

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