

# Competitive Dollar for Jobs and Prosperity Act & Market Access Charge *Education and Advocacy*

**The webinar will start  
shortly**

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# How to Think About Trade in 3 Levels

- 1. Volume of Global Trade:** caused by growth of global economies
- 2. Balance/Imbalance of Trade:** caused largely by exchange rate misalignment
- 3. Composition of Trade:** caused tariffs, comparative advantage, industrial policy, subsidies, technological advances, trade agreements

# Manipulation

- What is manipulation?
  - Persistent one-way intervention by central banks
  - Bilateral surplus
  - Multilateral Surplus
- Era of manipulation 2003-2013

# Misalignment

- Under vs Over-valuation regardless of cause
  - Exchange rates fail to adjust to achieve current account balance
  - *“The global adjustment process has not worked effectively... to promote a symmetric adjustment toward smaller imbalances in a manner that sustains – rather than inhibits – global growth.”* US Treasury, 4/18

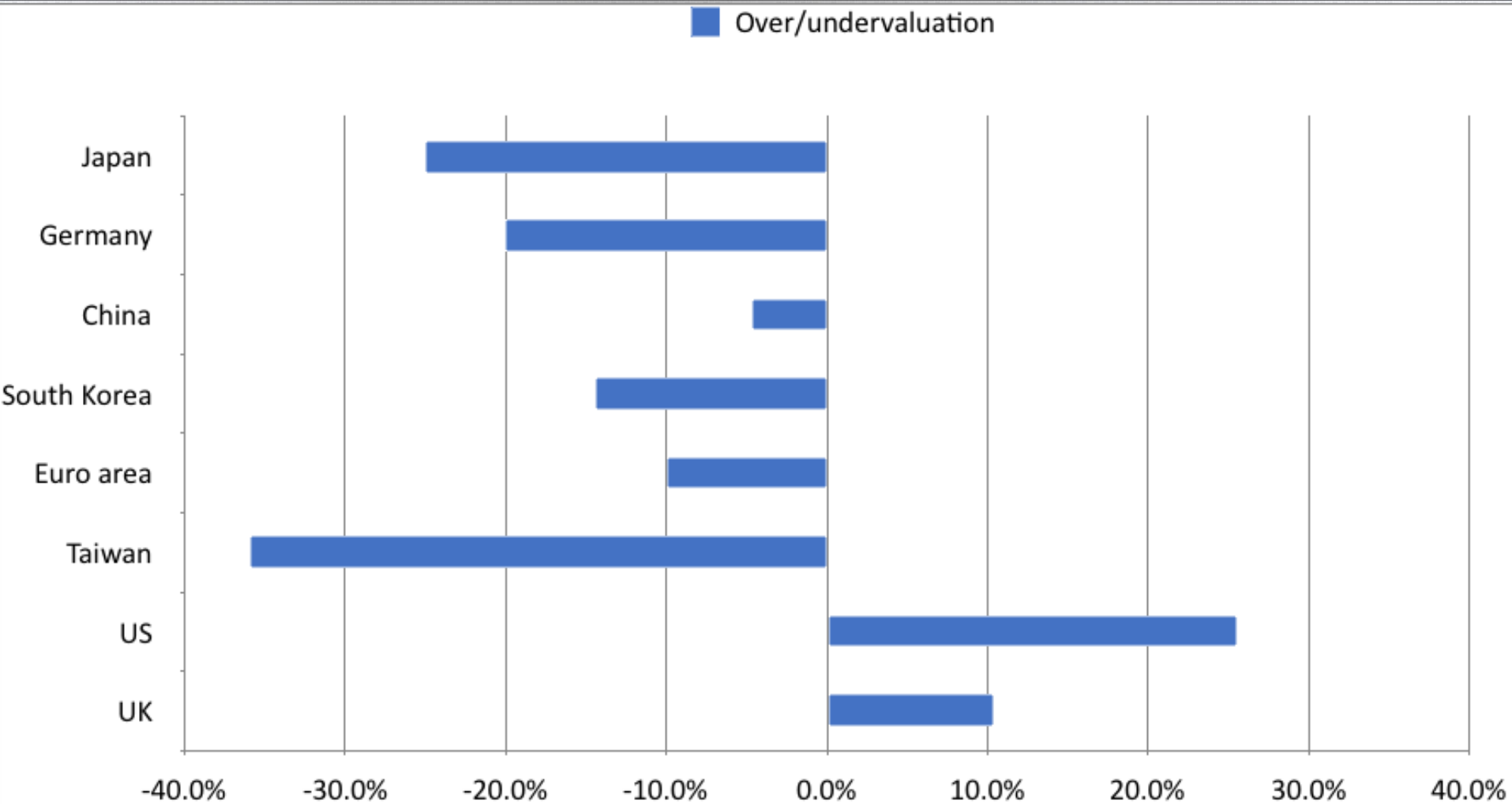
# Reagan Acted

- 1985 Plaza/Louvre Accords
  - Japan, West Germany, US devalued the dollar and revalued their own currencies
  - Brought current account to surplus by 1991
  - A one off agreement, not sustained

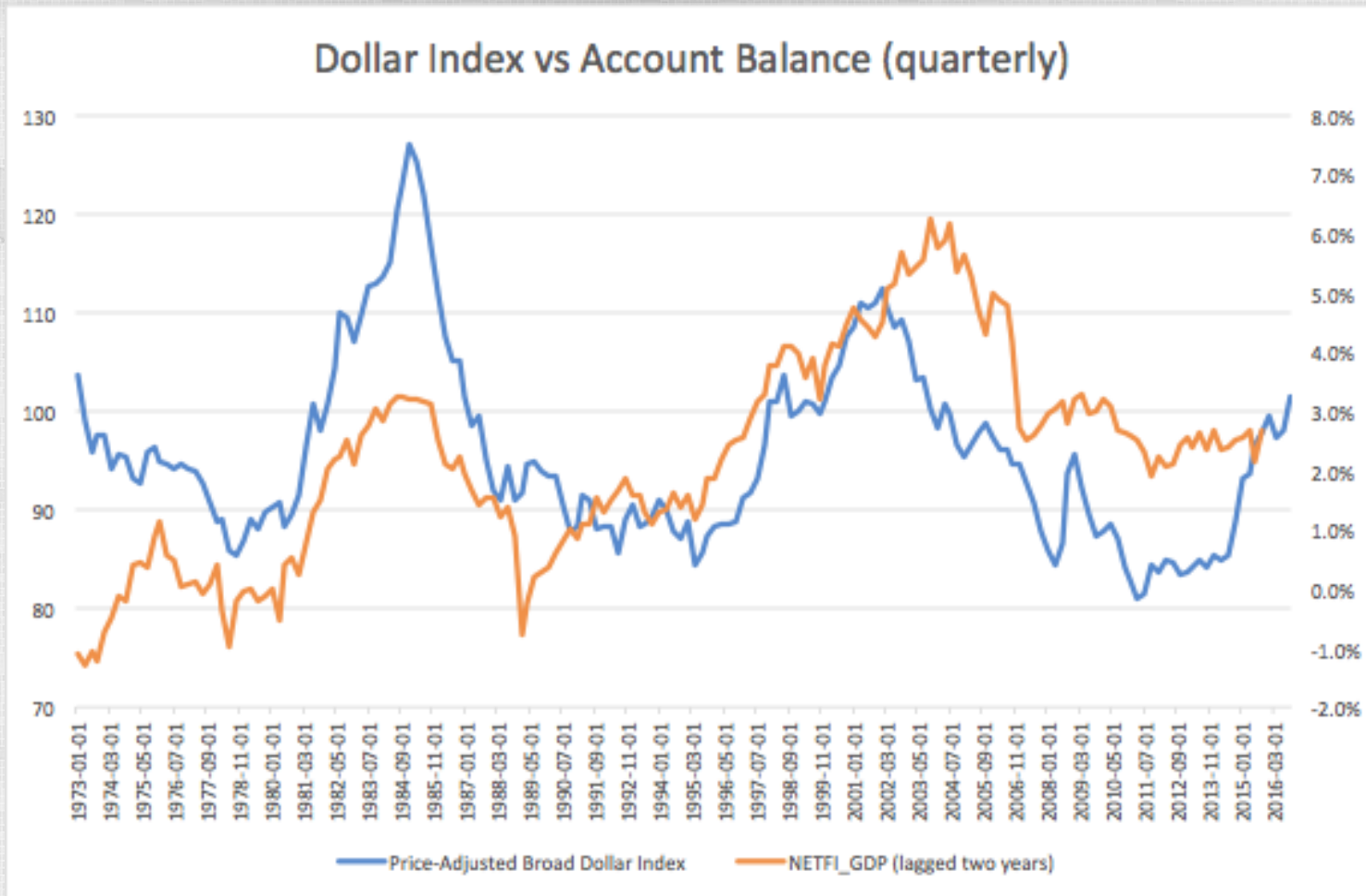
# Dollar Overvaluation

- Why? Massive foreign inflows drive dollar price high
  - Reserve currency
  - Invoicing currency
  - Investment currency
- Result: All US goods and services rendered less competitive globally

# Exchange Rate Are Not Adjusting



# Exchange Rate Drives Current Account





# What is the MAC and How Does it Work?

- Long missing exchange rate management tool to complement monetary and fiscal policy.
- Small, variable fee paid by foreigners to purchase dollar-denominated assets
- Moderates incoming capital flows and reduces dollar exchange rate down to trade-balancing equilibrium
  - Private capital movements respond to differences in interest rates and applying a small tax or fee (say half a percent) to purchase of US assets will reduce demand for dollar assets and thus the dollar price.

# How would the MAC benefit the US economy

- The dollar exchange rate has the broadest influence on US production, broader than tariffs or any other form of trade policy.
- The world's most successful economies, such as South Korea or Germany, are those economies that have kept their exchange rate low. We will not use the MAC to make the dollar rate unfairly low, just to make it competitive. It has been overvalued for 42 years.
- The effects of a competitive dollar will feed through to production, profits, employment, and investment. Ultimately raise the long-term growth rate of the US economy.

# Competitive Dollar for Jobs and Prosperity Act - Overview

- New Fed Mandate: Achieve and maintain current account balance
- New Fed Tools
  - Variable rate charge on incoming capital to push dollar to trade balancing/competitive price
  - Countervailing currency intervention – for foreign manipulators
- Result: Fix Trade Deficits... forever. A permanent Plaza Accord.

# CDPJ Act – The Fed Mandate

- Third mandate: Achieve and maintain current account balance
  - Complementary to existing dual mandate and efforts to manage supply of money
  - Incoming flows moderated to no longer frustrate monetary or fiscal policy
- Why the Fed?
  - Independent-ish, modeling expertise
  - MAC works in concert with other monetary tools

# CDPJ Act – Fed Duties

- Core Duty: Achieve and maintain a current account balance within five years
  - Considerations: “**may** take into consideration the minimization of disruptive effects on output, employment, interest rates, and foreign exchange, securities, and asset markets”
  - But **may not** adjust if non-crisis movements
- Initial market access charge: 50bp at 6 months
  - So they can’t slow walk implementation

# CDPJ Act – Assets Covered

- Securities: a security, stock, bond, note, swap, loan, or other financial instrument
  - denominated in dollars; registered or located in the US; or that is an obligation of a US person
- Real property; ownership in US entities
- Future catch-all:
  - any other asset identified as trading in sufficient volume to cause a risk of upward pressure the dollar price

# CDPJ Act – Collection

- Who collects?
  - Financial and non-financial institutions: already regulated under the Bank Secrecy Act;
  - “Transfer agents”: already regulated under Securities and Exchanges Act
- Remit MAC to Treasury

# Building Support for the CDJP Act

- Bill introduction, education and enactment
  - [prosperousamerica.org/currency\\_bill](http://prosperousamerica.org/currency_bill)
- Government:
  - Congress: 140 members positive
  - Executive
- Outside the beltway: Organizations, companies and individuals
  - Petitions, meetings
- Media – op-eds, educating reporters