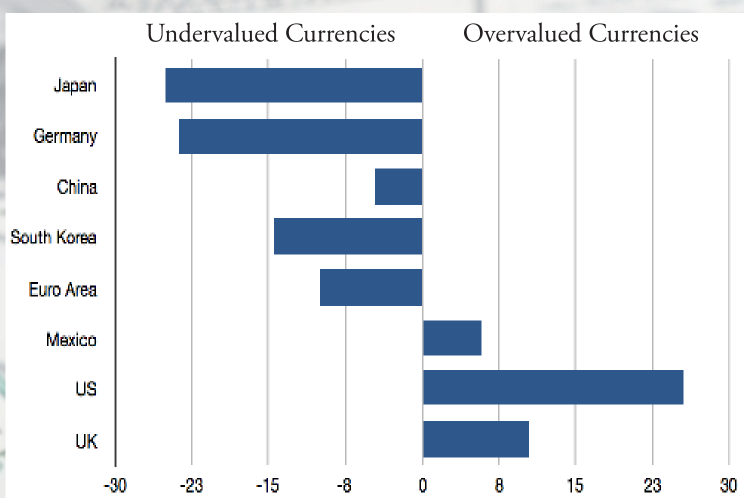
# The Overvalued Dollar Problem

**An Export Tax on America's Goods, Services and Agricultural Products**




**The US dollar: 25.5% overvalued as of May 2017**

The "strong dollar" obsession makes Wall Street rich and Main Street poor. It pushes American wages down, increases the trade deficit, disrupts capital markets and hooks consumers on debt.

The overvalued dollar is an export tax on US autos, airplanes, beef and corn. It subsidizes imports at the expense of US producers.

What is the cause? Excessive amounts of international capital are flowing into the US, driving the dollar exchange rate above its **trade balancing equilibrium price.**

## WE FIXED THE PROBLEM BEFORE

The US previously solved the overvalued dollar problem with the 1985 Plaza Accord dramatically improving US export performance and growth. Trade was nearly balanced by 1991.

## UNDERVALUED VS. STRONG CURRENCY COUNTRIES

Undervalued currency nations like South Korea, Germany and China grow and lead through productive strength and increased wages. Strong currency countries like the US and the UK decline and cede leadership, their plants and workers lay idle, their economies stagnate.

## SOLUTION- MARKET ACCESS CHARGE

Congress should provide the Federal Reserve the responsibility to maintain the dollar at a current account balancing equilibrium price. New legislation should provide the Fed with a new tool to moderate the dollar exchange rate called a market access charge (MAC).

The US government currently has fiscal and monetary tools to achieve economic policy goals. But exchange rates can frustrate attempts to achieve those goals. The US has no exchange rate management tool to address dollar overvaluation and the resulting harm to jobs and growth.

The MAC would apply to foreigners buying dollar assets. The Fed would set and adjust the MAC rate to achieve an equilibrium dollar price. **Trade would be balanced in five years and that balance would be maintained in the future.**