Support the Competitive Dollar for Jobs and Prosperity Act

How it Works

The bill (S. 2357) amends the Federal Reserve Act to add a third mandate - achieving a current account balance - to the existing, dual mandate of the Fed: full employment and price stability.

The Fed would engage in exchange rate management to permanently and flexibly fix dollar misalignment.

The Fed can use existing monetary policy tools to manage the dollar exchange rate.

The bill also creates a capital flow management tool called a Market Access Charge (MAC). Like a peak load charge on electricity, the MAC is a small, variable charge on foreign capital inflows purchasing dollar denominated assets.

The Fed would adjust the MAC higher or lower, as needed, to moderate incoming capital flows to realign the dollar exchange rate and achieve a current account balance.

Allows, and gives a reason for, the Fed to engage in countervailing currency intervention to neutralize currency manipulation by foreign governments.

The Fed may consider impacts on US economic output, employment, interest rates, and markets in conducting its exchange rate and capital flow management efforts.

The Treasury Department, which currently collects taxes and scrutinizes capital flows, will collect the MAC.

Coalition for a Prosperous America
Economists: Capital Flow Management is Necessary

“National authorities have at their disposal potentially five tools to help manage capital inflows and mitigate their consequences: monetary (interest rate) policy, exchange rate (foreign exchange intervention) policy, fiscal policy, prudential measures, and capital controls.”
—Atish, Ghosh, Ostry, Qureshi, IMF Economists, 2017

“Controls on capital inflows are among measures being considered by a government-led panel to stop the franc from strengthening if the euro-area debt crisis escalates.”
—Thomas Jordan, President of Swiss National Bank, 2010

“Large inflows could create problems of inflation, asset price bubbles, misallocations of investment and subsequent problems in the banking sector. Moreover, sudden reversals of such inflows were felt to have the potential to precipitate both exchange rate crisis and banking crisis.”

“Capital controls form a legitimate part of the policy toolkit.”
—John Taylor, Stanford Professor of Economics, Author of the “Taylor Rule” for Central Banks, 2018

“Restrictions on capital flows were and still are the appropriate macroeconomic instrument to achieve better outcomes, both in advanced economies and in emerging economies.”
—Olivier Blanchard, Former IMF Chief Economist, 2016

“There is a need to reconsider existing arrangements of unfettered capital mobility. The goal should not be to prevent capital mobility, but rather to give central banks the ability to slow inflows when they deem necessary.”

“Unless capital imports increase productive capacity by enough to yield a net rate of return higher than debt service, countries do not gain in the long run by capital imports.”
—Robert Mundell, Nobel Laureate in Economics, 1999

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