

Treasury Secretaries And The Dollar

A view using the alliterative theory.

BY JEFFREY FRANKEL

So how will the Secretary of the Treasury handle the dollar? There are a lot of views, but one cannot resist putting forward the alliterative theory of U.S. foreign exchange. Consider that four of the Treasury Secretaries who served during the last twenty-five years have names that begin with the letter "B." Each has been perceived as "bashing" the dollar. In each case the accusation may be unfair, but it is in fact true that the dollar depreciated on average during the terms of each of the four, especially against the yen (*see table*). Two other recent Treasury Secretaries have names beginning with

the letter "R." Under each of them, the dollar has "revived." The name of the new nominee begins with "S." To find a corresponding predecessor, we have to go back to the Secretary who served in the mid-1970s. At that time, the dollar was relatively "steady." This is probably the appropriate characterization for the current outlook as well.

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**Trend of dollar exchange rates by term of Treasury Secretary
1974-1999 percent per annum**

Treasury Secretary	Term	Yen/\$	DM/\$	G10 Effective Exchange Rate
William E. Simon	May 8, 1974 - January 20, 1977	2.69	-0.04	2.48
W. Michael Blumenthal	January 23, 1977 - August 4, 1979	-24.27	0.22	-7.04
G. William Miller	August 7, 1979 - January 20, 1981	-13.13	0.26	3.28
Donald T. Regan	January 22, 1981- February 1, 1985	12.42	0.29	15.28
James A. Baker, III	February 4, 1985 - August 17, 1988	-33.57	-0.35	-17.10
Nicholas F. Brady	September 15, 1988 - January 17, 1993	-2.25	-0.06	-1.26
Lloyd M. Bentsen	January 20, 1993 - December 22, 1994	-9.37	-0.05	-2.18
Robert E. Rubin	January 11, 1995 - July 1, 1999	5.26	5.90	2.91*

Sources: Federal Reserve Board, IMF, ECB, and U.S. Department of Treasury. *Major currencies index. (G10 rate has been discontinued.)