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Geithner Says U.S. Won't Use Dollar to Gain Competitive Advantage in Trade

By Rebecca Christie - Nov 6, 2010

Treasury Secretary Timothy F. Geithner said the U.S. won't use the dollar as a trade weapon and he repeated his support for a "strong dollar" that plays a central role in the global economy.

"We will never use our currency as a tool to gain competitive advantage," Geithner told reporters today after a meeting of finance ministers from the Asia-Pacific Economic Cooperation group in Kyoto, Japan.

The Treasury chief said he believes the dollar, euro and yen are roughly in alignment with each other, and he said American policy makers understand the "special responsibility" the U.S. has for the world economy. "I'm happy to reaffirm again that a strong dollar's in our interest as a country," Geithner said.

Officials in China, Germany and Brazil this week criticized the Federal Reserve's plan to pump $600 billion into the U.S. economy, saying it may hurt other economies without helping the U.S. grow again. Critics including Michael Burry, the former hedge-fund manager who predicted the housing market's plunge, have said Fed policy is encouraging investors to take on too much risk and threatens to undermine the dollar.

Fed Chairman Ben S. Bernanke yesterday told college students in Jacksonville, Florida, that "the best fundamentals for the dollar will come when the economy is growing strongly." Geithner declined to comment on the U.S. monetary policy stance, saying today the U.S. has an "independent" central bank.

Gains in Hiring

Geithner said the U.S. economy is benefitting from gains in private-sector hiring, productivity and business investment. These trends, along with a Labor Department report yesterday showing that the U.S. economy added 151,000 jobs last month, show that the U.S. has "a very good chance" of continuing to grow and to recover fully from the financial crisis, he said.

Major emerging market economies "are in the early stages of a very long period of very strong growth in productivity and living standards -- that's a very encouraging thing for the world," the U.S. Treasury chief said. He said this growth, particularly compared with slower growth in the U.S., Japan and Europe, mean these emerging market nations can expect capital investment to continue.

"You can have too much of a good thing, but it is fundamentally an encouraging thing," Geithner said.

"What is driving the flows of capital you're seeing into emerging markets is fundamentally a positive reflection of confidence in the likely trajectory of growth rates in those countries over time."

Economic Pressures

Geithner said international efforts to rein in trade surpluses and deficits need to be sensitive to the economic and political pressures facing emerging-market nations in the midst of this growth. At the same time, he said these trends give countries incentive to allow currency appreciation.

Fast-growing developing nations recognize it's important for exchange rates to move in line with economic fundamentals, "because if you don't those pressures don't go away, they'll just end up somewhere else, in the risk of higher inflation, higher asset price bubbles and greater risk to the sustainability of growth," Geithner said.

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