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# Geithner Says U.S. Will Never Weaken Dollar to Gain an Advantage in Trade

By Rebecca Christie and Ian Katz - Apr 26, 2011

Treasury Secretary Timothy F. Geithner today reaffirmed the U.S. commitment to a "strong dollar" and said the country won't weaken the currency to gain an advantage over its trading partners.

"Our policy has been and will always be, as long as at least I'm in this job, that a strong dollar is in our interest as a country," Geithner said in remarks at the Council on Foreign Relations in New York. "We will never embrace a strategy of trying to weaken our currency to try to gain economic advantage."

Geithner's comments, in response to a question about the dollar's recent decline, show his efforts to reassure investors that the U.S. will restore long-term economic growth and stability. The Treasury chief said the U.S. must earn investor confidence "over time" and said there's "fundamental" trust in the U.S. ability to cope.

The dollar dropped for a sixth day against the euro, matching the longest losing streak since May 2009, on speculation the Federal Reserve will consider measures to keep yields low to support the U.S. economy. The greenback also fell to almost the lowest level since August 2008 against the currencies of major U.S. trading partners

Geithner's comments today reflect an unchanged U.S. policy stance toward the dollar, said Edwin Truman, a former Federal Reserve and Treasury official who is now a senior fellow at the Peterson Institute for International Economics.

## 'Weak Dollar'

"There are people around who think that the only way the U.S. economy can recover is by having a very weak dollar and relying exclusively on exports," Truman said in a telephone interview.

Geithner was saying that "the United States is not trying to devalue its way to prosperity," Truman said. "That's not in the interest of the United States or the world, and wouldn't work anyhow."

Bill Gross, who runs the world's biggest bond fund at Pacific Investment Management Co., said Treasuries "have little value" because of the growing U.S. debt burden, in a March note on his company's website. He said the U.S. will experience inflation, currency devaluation and low-to-negative interest rates after accounting for consumer-price gains if it doesn't reform its entitlement programs, he said.

Geithner said today that the U.S. needs a "credible strategy" to reduce its budget deficits over time, without moving too quickly and choking off economic recovery.

## 'Declining Path'

"You have to commit to bring the budget deficit down to a level that will put our overall debt burden on a declining path as a share of the economy," he said. The Obama administration wants to move onto that path by about 2015, he said.

President Barack Obama has offered the outlines of a plan to reduce the debt by $4 trillion over 12 years through a combination of spending cuts and tax increases. House Budget Committee Chairman Paul Ryan, a Wisconsin Republican, has proposed cutting spending by $6 trillion over a decade in part by privatizing Medicare and capping Medicaid spending.

Geithner also said Congress needs to act by June to raise the debt limit, saying it would be "irresponsible" and "unacceptable" not to act. "The idea that the United States would take the risk people start to believe we won't pay our bills is a ridiculous proposition," he said.

## Debt Ceiling

Congress is facing a vote as early as next month on raising the $14.3 trillion debt ceiling. The Treasury Department projects that it will hit the cap on May 16, though it could use emergency measures to avoid default until about July 8.

The chairman of the Treasury Borrowing Advisory Committee today said it would be "catastrophic" if the U.S. did not raise the limit. The advisory committee includes representatives from firms including Goldman Sachs Group Inc. and Bank of America Corp.

"Any delay in making an interest or principal payment by Treasury even for a very short period of time would put the U.S. Treasury and overall financial markets in uncharted territory, and could trigger another catastrophic financial crisis," Matthew Zames, chairman of the advisory panel, wrote in a letter to Geithner released in Washington today. Zames is a managing director at JPMorgan Chase & Co.

Geithner said today that oil prices have become an obstacle to growth for the U.S. economy, which is otherwise set to accelerate.

"We started the year with a little less momentum," Geithner said.

"We've got some new headwinds, most prominently of course in oil," Geithner said. "What's happening in oil is obviously potentially very significant. At current levels, on its own, it won't put the recovery at risk."

-- With assistance from Caroline Salas, Allison Bennett and Anchalee Worrachate in New York.
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