

107TH CONGRESS
1ST SESSION

H. R. 2617

To promote international monetary stability and to share seigniorage with
officially dollarized countries.

IN THE HOUSE OF REPRESENTATIVES

JULY 24, 2001

Mr. RYAN introduced the following bill; which was referred to the Committee
on Financial Services

A BILL

To promote international monetary stability and to share
seigniorage with officially dollarized countries.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “International Monetary
5 Stability Act of 2001”.

6 **SEC. 2. FINDINGS; STATEMENT OF POLICY.**

7 (a) FINDINGS.—Congress finds that—

8 (1) monetary stability is necessary for strong
9 long-term economic growth and higher standards of
10 living;

1 (2) many emerging market countries lack mone-
2 tary stability and have therefore suffered economic
3 and financial problems that reduce their economic
4 growth and living standards, including currency cri-
5 ses, financial fragility, inflation expectations that are
6 built into labor markets, and high and volatile infla-
7 tion rates and interest rates;

8 (3) there has been growing international inter-
9 est in official dollarization, whereby a country sub-
10 stantially or totally eliminates its domestic currency
11 and adopts the United States dollar as legal tender;

12 (4) official dollarization enables a country to
13 import monetary stability, thereby bringing inflation
14 and interest rates down toward the levels of the
15 United States;

16 (5) greater monetary stability helps increase
17 long-term economic growth and raise living stand-
18 ards in emerging market countries;

19 (6) by increasing trade and investment flows
20 and decreasing the need for foreign assistance,
21 greater economic growth and higher living standards
22 abroad would serve the interests of the United
23 States;

24 (7) countries that become officially dollarized
25 lose seigniorage (the profit from issuing a currency),

1 and this is a significant barrier to official
2 dollarization;

3 (8) official dollarization would increase the sei-
4 gniorage earnings of the United States;

5 (9) it would be mutually beneficial for the
6 United States to encourage official dollarization by
7 offering to share with countries that become offi-
8 cially dollarized a portion of the extra seigniorage
9 earnings that the United States would earn; and

10 (10) encouraging official dollarization com-
11 plements ongoing efforts by the United States to
12 strengthen the international financial architecture.

13 (b) STATEMENT OF POLICY.—It is the policy of the
14 United States that—

15 (1) the Federal Reserve System has no obliga-
16 tion to act as a lender of last resort to the financial
17 systems of dollarized countries;

18 (2) the Federal Reserve System has no obliga-
19 tion to consider the economic conditions of dollarized
20 countries when formulating or implementing mone-
21 tary policy;

22 (3) the supervision of financial institutions in
23 dollarized countries remains the responsibility of
24 those countries; and

1 (4) in the absence of qualification by the Sec-
2 retary of the Treasury under section 3, countries are
3 free to dollarize unilaterally.

4 **SEC. 3. QUALIFICATION.**

5 (a) IN GENERAL.—The Secretary of the Treasury (in
6 this Act referred to as the “Secretary”) may qualify a
7 country as officially dollarized for purposes of this Act,
8 after consideration of whether the country has—

9 (1) ceased issuing a local paper currency;

10 (2) extinguished a substantial portion of the do-
11 mestic currency in circulation, with plans to extin-
12 guish as much of that currency as feasible;

13 (3) granted legal tender status to the United
14 States dollar; and

15 (4) substantially redenominated its prices, as-
16 sets, and liabilities in United States dollars;

17 (b) OTHER CONSIDERATIONS.—In deciding whether
18 to qualify a country as officially dollarized under this sec-
19 tion, the Secretary may consider any additional factors the
20 Secretary deems relevant.

21 (c) STATEMENT BY SECRETARY.—The Secretary
22 shall issue a written statement on qualification of a coun-
23 try under this section that explains why the country has
24 been qualified.

1 (d) LIMITATION.—The Secretary may not qualify a
2 United States territory or commonwealth as officially
3 dollarized for purposes of this Act.

4 **SEC. 4. PAYMENTS.**

5 (a) IN GENERAL.—Beginning with the 1st business
6 day of the 4th full calendar month after the date a country
7 is qualified under section 3, the Secretary shall, every 3
8 months, pay the government of the country an amount
9 equal to 21.25 percent of D, multiplied by I, multiplied
10 by P2, divided by P1.

11 (b) DEFINITIONS.—In subsection (a):

12 (1) D.—The term “D” means the lesser of—

13 (A) the dollar amount of Federal reserve
14 notes the country acquired from the Federal
15 Reserve System for purposes of official
16 dollarization under this Act; or

17 (B) the dollar value of the domestic cur-
18 rency of the country in circulation in the coun-
19 try before the country was qualified.

20 (2) I.—The term “I” means the average yield
21 to maturity on 90-day Treasury bills in the most re-
22 cent 3 calendar month period occurring before the
23 date of payment under subsection (a), except that if
24 a 90-day Treasury bill is not issued during the 3-

1 month period, the Secretary may substitute an ap-
2 propriate alternative interest rate.

3 (3) P1.—The term “P1” means the nonseason-
4 ally adjusted United States City Average All Items
5 Consumer Price Index for All Urban Consumers for
6 the month falling three months before the most re-
7 cent month occurring before the date of payment
8 under subsection (a) for which data are available,
9 except that if the price measure is discontinued or,
10 in the judgment of the Secretary, altered in a man-
11 ner that is materially adverse to the interests of the
12 United States, the Secretary may, after consultation
13 with the Bureau of Labor Statistics, substitute an
14 appropriate alternative index.

15 (4) P2.—The term “P2” means the nonseason-
16 ally adjusted United States City Average All Items
17 Consumer Price Index for All Urban Consumers for
18 the most recent month occurring before the date of
19 payment under subsection (a) for which data are
20 available, except that if the price measure is discon-
21 tinued or, in the judgment of the Secretary, altered
22 in a manner that is materially adverse to the inter-
23 ests of the United States, the Secretary may, after
24 consultation with the Bureau of Labor Statistics,
25 substitute an appropriate alternative index.

1 **SEC. 5. PREVIOUSLY DOLLARIZED COUNTRIES.**

2 (a) LIMITATION.—The Secretary of the Treasury
3 may not make a payment under section 3 to the British
4 Virgin Islands, East Timor, the Republic of El Salvador,
5 the Republic of the Marshall Islands, the Federated States
6 of Micronesia, the Republic of Palau, the Republic of Pan-
7 ama, or the Turks and Caicos Islands until 10 percent
8 of the payments made countries not specified in this sub-
9 section equals or exceeds the total of the payments that
10 would be made in accordance with subsection (b) of this
11 section to the countries specified in this subsection on
12 qualification of the countries.

13 (b) PAYMENT CALCULATION.—On qualification
14 under section 3 of a country specified in subsection (a)
15 of this section, the Secretary of the Treasury shall make
16 payments to the country pursuant to section 4, except that
17 in applying section 4, the term “D” means an amount
18 equal to 4 percent of the nominal dollar gross domestic
19 product for the country, as calculated by the International
20 Bank for Reconstruction and Development (or other rec-
21 ognized statistical authority), as of June 1, 2001, for cal-
22 endar year 1999.

23 **SEC. 6. DISQUALIFICATION AND PAYMENT CANCELLATION.**

24 (a) LIMITATION.—The Secretary shall disqualify, and
25 cease making payments to, a country under this Act if—

1 (1) the United States declares war on the coun-
2 try; or

3 (2) the Secretary determines that the country is
4 no longer officially dollarized in accordance with this
5 Act, and issues a written public statement to that ef-
6 fect that lists the reasons for the determination.

7 (b) CONSIDERATIONS.—In making a determination
8 under this section, the Secretary shall consider the factors
9 listed in section 3(a) and any additional factors that the
10 Secretary deems relevant.

11 **SEC. 7. REGULATIONS.**

12 The Secretary may issue such regulations as are ap-
13 propriate to carry out this Act.

14 **SEC. 8. EXPENSES.**

15 The amounts in the stabilization fund established by
16 section 5302 of title 31, United States Code, (or, if the
17 amounts in the stabilization fund are not sufficient, the
18 amounts deposited in the surplus funds of the Federal Re-
19 serve Banks in accordance with section 7(a)(2) of the Fed-
20 eral Reserve Act) shall be available to cover the expenses
21 and payments under this Act.

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