Cato Scholar Profile: Steve H. Hanke

STEVE H. HANKE is a professor of applied economics at the Johns Hopkins University. He is also a senior fellow and director of the Troubled Currencies Project at the Cato Institute. During the 1980s, he served as a senior economist in President Ronald Reagan's Council of Economic Advisers, and later as a senior adviser to the Congressional Joint Economic Committee. Hanke was recently honored by the Bulgarian Academy of Science with his fourth doctorate, honoris causa, *in recognition of his scholarship on exchange-rate regimes. He and his wife, Liliane, reside in Baltimore and Paris. You can follow him on Twitter at @Steve_Hanke.*

What exactly is the Troubled Currencies Project?

The Troubled Currencies Project is a joint Cato Institute–Johns Hopkins research program I have founded, which focuses on countries whose currencies are experiencing severe depreciation, and, in consequence, inflation. At present, the Troubled Currencies Project is tracking currencies in Argentina, Egypt, Iran, North Korea, Syria, and Venezuela.

With the assistance of my undergraduate research team at Johns Hopkins, I collect black-market exchange-rate data in these countries. The black-market exchange rate is the most important free-market price in an economy experiencing currency troubles. Using these data, I can estimate the implied inflation rate in countries where reliable inflation rates would otherwise not be available.

You recently wrote in the *Wall Street Journal* that the government should "put the fate of the greenback in the hands of consumers." What do you mean by this?

The op-ed you are referring to ("To Make Sense of the COINS Act, Follow the Money," *Wall Street Journal*, August 20, 2013) dealt with the so-called COINS Act, which would abolish the dollar bill and replace it with a dollar coin. This legislation is a Washington boondoggle of the highest order.

Americans clearly prefer dollar bills to coins. So, the only way for certain politicians to engineer a switch to the dollar coin is to literally give consumers no choice in the matter.

Instead of getting caught up in a political battle over which type of $1 currency the government mandates, I proposed that we simply privatize the production of notes. The money supply would still be controlled by the Fed, but the actual production of bills would be handled by private enterprise. If Americans prefer bills to coins, these businesses would thrive. If Americans prefer coins, they would go bust. In short, we should let consumers, not politicians, decide the fate of the dollar bill.

How did the march toward greater military involvement with Syria affect that country's currency?

Following U.S. Secretary of State John Kerry's saber-rattling statements on August 26, the value of the Syrian pound zigged and zagged a great deal. Indeed, the pound lost 24.7 percent of its value against the U.S. dollar in the two days following Kerry's announcement.

Then, on August 29, we saw a sharp reversal in the course of the pound. Why? We need look no further than the eroding support for a U.S.-led strike against Syria. The United States had lost support from important allies: the United Kingdom, Canada, and Italy.

At present, the diplomatic tango taking place between the United States, Russia, and Syria has brought some semblance of stability to the pound, at least for now. As Obama, Putin, Assad, and others continue to negotiate a potentially war-averting chemical weapons deal, the black-market Syrian pound / U.S. dollar exchange rate is hovering around 210, indicating that Syrians are holding their breath—just like everybody else. ■