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BIDEN AND WEAKENING THE DOLLAR AND BRINGING BACK MANUFACTURING JOBS.

Strong Dollar and Making Imports Cheaper.

[Edited]

By Noam Scheiber

President Biden has made reviving American manufacturing a top priority. To deliver, he may first have to deal with something even more fundamental to the U.S. economy: the strength of the dollar.

Because a strong dollar lowers the price of imports and raises the price of exports, it gives foreign companies an advantage over American competitors and can drag down U.S. employment.

"Dollar overvaluation is the big problem," said Mike Stumo, chief executive of the Coalition for a Prosperous America, which represents small and midsize manufacturers and farmers. Mr. Stumo describes policies that prop up the dollar as a "war on the working class."

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China was the world's leading currency manipulator during roughly the first decade of the 2000s, according to a paper by Joseph E. Gagnon, a former Federal Reserve Board economist now at the Peterson Institute for International Economics, and C. Fred Bergsten, the institute's founding director. The paper estimated that currency manipulation cost the United States one million to five million jobs in 2011. Manufacturing jobs tend to be hit particularly hard by the strong dollar because manufactured goods are easy to import.

Over the past several years, medium-size economies like Switzerland, Taiwan and Thailand have been most active in holding down their currencies, Dr. Gagnon found in a more recent study. Collectively, currency interventions by such countries have been more than half the size of China's earlier interventions, he notes.

But the dollar can appreciate even without currency interventions — for example, if foreign investors increase their appetite for American bonds, which require dollars to buy, as they have in recent years.

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The strong dollar has made it difficult for the company's customers to compete with imports, said its chairman, Brian O'Shaughnessy. In the 1990s, for example, Revere supplied several American door-lock makers with copper or brass. Today, Mr. Shaughnessy said, most of the lock makers have shifted production abroad, undercut by imports made cheaper by the strong dollar.

"The industry moved offshore," he said. "It was currency. It overwhelms everything else."

The U.S. government could reverse these trends using one of two approaches. It could essentially fight fire with fire — buying enough foreign currency to lower the value of the dollar by 10 to 20 percent and restoring the equilibrium that would exist without foreigners' excessive dollar-buying. Or it could tax foreign purchases of U.S. assets, like stocks and bonds, an approach prescribed in a bill sponsored by Senators Tammy Baldwin, a Wisconsin Democrat, and Josh Hawley, a Missouri Republican.

A tax would make these investments less attractive to foreigners and therefore reduce their need for dollars. It would also raise revenue for the government.

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"It would essentially be an act of economic war to aggressively intervene to push the dollar down against the euro, the yen, the Canadian dollar," Dr. Bergsten said. "Those countries are doing worse than we are."

But the political landscape has shifted in recent years, as reflected in Mr. Trump's rise, and momentum for reining in the dollar and the trade deficit may be building. Though Mr. Trump's tariffs on products like steel and aluminum were ineffective on this front — tariffs tend to increase the dollar's value, leading to more imports of other goods — the Trump administration gave the Commerce Department new authority to penalize countries that had weakened their currencies.

It used that authority for the first time in November to impose tariffs on Vietnamese tires, after the A.F.L.-C.I.O. submitted a petition saying Vietnam had used its currency as an unfair subsidy to producers.

Mr. Biden's team may be picking up the baton. One of his top economic advisers, Jared Bernstein, has long expressed concern about the overvaluation of the dollar. A second, Bharat Ramamurti, oversaw economic policy for Senator Elizabeth Warren's presidential campaign, which proposed "more actively managing our currency value to promote exports and domestic manufacturing." And the Biden administration hired Brad W. Setser, a skeptic of the strong dollar, as a counselor to its trade representative.