DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

August 27, 2026

The Honorable Elizabeth Warren
United States Senate
Washington, DC 20510

Dear Senator Warren:

I am in receipt of your August 13 letter, which unfortunately reveals that you know even less about foreign exchange markets than you do about banking. Terrifyingly, the opening paragraph is wrong about where the money came, what the transaction was, and whether there was even a borrower. What is equally shocking, but not surprising: not a single member of your media mob has a rudimentary-enough level of financial market literacy to spot your remedial error.

Treasury exchanged existing Exchange Stabilization Fund foreign-currency assets for yen. No new congressional appropriation was involved, and no credit was extended to Japan. Japan owes Treasury nothing. There is therefore no risk that Japan will fail to repay a debt that does not exist.

You state that it is "not clear" how preventing disorder in Japan benefits the United States. As your letter notes, Japan is a major holder of U.S. Treasuries. It is also a critical trading partner and a treaty ally. Disorderly yen markets can trigger forced unwinds, which could destabilize global markets and ultimately raise borrowing costs for American families and businesses. For a fuller explanation, I recommend any entry-level course in international finance for you and your staff, or I can give you a tutorial on Foreign Exchange for Dummies.

The same principle was at work in Argentina, where Treasury used the Exchange Stabilization Fund to stabilize Argentina in its moment of acute, short-term illiquidity and to prevent the problem from becoming a broader regional crisis. The best-managed crisis is the one that never happens. You, by contrast, appear to view preventable crises not as failures to avert but as welcome opportunities to expand government control-with ordinary Americans paying the price.

Your legal question is answered by the statute cited in your own footnote. Section 5302 expressly authorizes the Secretary, with presidential approval, to deal in foreign exchange in support of orderly exchange arrangements. Treasury's legal analysis begins with reading the statute. I recommend you try the same.

The American people deserve oversight grounded in facts rather than slogans. Although I am not holding my breath, I hope your next letter will demonstrate that you have learned the difference between a currency purchase and a swap or a loan.

Sincerely,

Scott Bessent