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The Influence of the American Dollar on International Trade

Thesis 2014

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Abstract

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The purpose of this research was to analyze the influence of the American dollar on global international trade. A special attention was paid to studying the possible influences of the US dollar devaluation on international trade.

This study is a combination of theory, theory analysis and analysis of interviews. Secondary data was utilized as the main source of information. The theoretical findings and analysis are supported by a quantitative research. The data was collected by a structured interview and questioner. The representatives of three companies and one university were interviewed.

The results of this study show that a sharp devaluation of the American dollar is unlikely to happen, while a gradual devaluation is going on during several years. The consequences of the sharp devaluation of the US dollar may be serious for international trade. The trade deficit in the USA would grow considerably, the US dollar may stop being world reserve currency. The purchasing power of the American dollar would decrease; new global international trade currency may rise.

Keywords: the US dollar, the American dollar, devaluation, trade deficit.

1 Introduction

1.1 Background

According to the Triennial Central Bank Survey (2013), the American dollar was the most traded currency in the year 2013: 87% of all trades in April 2013. The euro was the second most traded currency in the world, though accounting for only 33% of the total foreign exchange market, while the Japanese yen accounted for 23.0% and the pound sterling 11.8%. The total sum of all traded currencies is 200% because each currency trade always involves a currency pair. These figures tell how important the American dollar is in the modern international trade.

The US dollar is one of the most common currencies with approximately \$1.28 trillion in circulation as of May 2014 (Board of Governors of the Federal Reserve System 2014). "The four largest currencies by circulation (now the Euro, US Dollar, Japanese Yen and Chinese Yuan) comprise nearly 75% of all circulating banknotes and coins within the public domain". (Bullion Vault 2009). The strength and multiplicity of the American dollar today makes it a powerful tool not only in international trade but in business and world politics as well.

This currency has been a real favorite among billions of business people all over the world during several decades. Why is the American dollar so powerful, strong and trustworthy? The United States of America has the largest debt in the world today, and the US federal government debt is expected to be 18.247 trillion dollars by the end of 2014 and the state government debt is expected to be 1.176 trillion dollar (Usgovernmentdebt 2014).

Still billions of people have their savings in US dollars, not being afraid of currency devaluation, which is happening even today. What effects may such a strong belief in the American dollar have on international trade?

The reputation of the American dollar was damaged by several big crises which took place in the USA in 2008 and 2013. Low interest rates on credits encouraged overspending and consumerism society in the United States of America. People were buying more than they were earning under percentage,

thus creating one large debt. The housing bubble was also a big problem in the past. Many Americans were buying expensive accommodation on credit under very low interest rates, which then suddenly grew dramatically, putting many people in trouble with repayment of their housing mortgages. (Grovrum 2013.) All this has had a great impact on the American dollar and on international trade subsequently.

The American dollar is an outstanding phenomenon having a great importance for international trade and it is worth to be studied. Since it was authorized for issuance 228 years ago on August 8 in 1786, it has experienced dramatic ups and downs. However, today the American dollar is still one of the most traded, influential and trusted currencies in the world regardless of anything. A substantial amount of international trade is done in dollars, and that is why this topic is definitely worth researching.

1.2 Objectives of the study

The goal of this study is to analyze the influence of the American dollar on global international trade. A special attention was paid to studying the possible influences of the dollar devaluation on international trade.

The purpose of this research document is to find out answers to questions which represent a big interest for all people, involved in international business and trade. What is the importance of the American dollar for big and small companies doing international trade and what would a dollar devaluation mean for organizations doing international trade? The role of the American dollar in global international trade is changing constantly. With the appearance of the euro the American dollar has partly lost its market share and gained a serious competitor. How will the relationship between dollar and euro progress? Which currency of will be used more in international trade in the future?

1.3 Research Method

This study is a combination of theory, theory analysis and analysis of interviews. Secondary data about the American dollar and its effects on international trade was utilized as the main source of information. The theoretical findings and

analysis are supported by a quantitative research. Opinions of business people who use the American dollar today or used it in the past for the purpose of international trade are gathered and analyzed. A questionnaire is prepared and used to conduct interviews. Some of the questionnaires are answered by the respondents themselves: people were given questionnaires and were asked to fill them.

In the practical part the studied topic was researched with the help of three companies and one university. The first enterprise is Wild Sport: a small-size Finnish company with one retail store. Its field of business is trade, retail and wholesale trade of hunting and fishing goods such as guns and related items, selling of tourist products: hunting trips conducted in different countries. This company participates actively in international trade: it buys from international suppliers and sells internationally, for instance to Russia. Wild Sport makes regular purchases from USA and that is why this company was chosen for participation in this research. (Wild Sport.)

The second company is Euronics: a large international company which operates in 30 countries and includes 11000 of independent electrical retailers. This company sells electrical appliances. It has many trading partners worldwide. It imports lots of goods from China, Germany, USA, and Sweden and from other countries. Euronics is a large and active participant of international trade. It imports, exports and sells its products internationally. (Euronics.)

The third company is Auto-Suni: a big Finnish company which operates in the cities of Eastern and Southern Finland. It sells vehicles and spare parts for vehicles. This company does plenty of international trade by importing cars. Many of them are imported from Asia where American dollar is the most popular currency in international trade with Western countries. (Auto-Suni.)

1.4 Delimitations of the study

The topic of the American dollar is very broad. What is included in this thesis are several important moments from the history of the American dollar; a brief overview of the relationship between the US dollar and the Euro today. It was necessary to research because those two currencies are the main currencies in

international trade and economy today. Topics such as strength of the American dollar and its weaknesses are covered in this research. The strengths are: the American dollar is the currency of a politically strong and respectful country, world trade currency and reserve currency for many states. The weaknesses are: absence of reliable coverage for dollar value and US debts. The possibility and consequences of the American dollar devaluation for international trade and influence of the US dollar on international trade are also examined.

This study will not discuss the influence of the American dollar on the financial crises in 2007-2008 or 2013-2014 or the current and past economic situation in the USA. Neither will this thesis review the political influence of the USA on other countries, necessary to keep the American dollar afloat. Politics is directly connected to the topic of the American dollar, but it was avoided in this thesis. A trade of the American dollar as a currency by banks and an influence of the American dollar on global economy will not be covered. The topic of the American dollar is approached in a very narrow scale – the role it has in international trade.

2 Research questions

2.1 The importance of the American dollar for companies participating in international trade

According to the BloombergBusinessweek (2009), the American dollar is the most common accepted means of international payment for commodities and the most common currency in international trade. By being a dominant trade currency, the American dollar has become a strong part of the international financial trading infrastructure. The total value of international trade that is done in American dollars worldwide is considerably bigger than the total trade performed by the USA and the other countries connected to this currency.

In Asia, many states conduct 80% and more of their own exports in the American dollars. Moreover, this currency is the most convenient for many Asian central banks willing to participate in foreign exchange markets. What

makes the American dollar such an important currency is that many large oil producers evaluate and trade oil in dollars. (BloombergBusinessweek 2009.)

2.1.1 Role of the American dollar

Governments use the American dollar for making transactions, investing money in American stocks and by keeping dollars in reserves. Companies and individuals from all over the world demand dollars for two main reasons: firstly in order to have the capability to purchase American products and services (US exports), secondly to be capable of purchasing American financial inflows (US real and financial assets, stocks and real estate). (Abel & Bernanke 2001, pp. 482 - 483.)

Similarly, American residents deliver dollars to the foreign exchange market by buying other currencies in exchange for their dollars for two reasons: firstly, to be able purchase foreign products and services (imported to the United States of America) and secondly to have a possibility of purchasing financial outflows: real estate and financial assets situated outside the USA. (Abel & Bernanke 2001, pp. 482 - 483.)

In fact, not only does international trade depend on the value of the American dollar, but the value of the dollar itself is in direct dependence on the international trade. Factors which increase foreigners' demand for American assets, goods and services will automatically raise the demand for dollars on foreign exchange markets, thus increasing the exchange rate of the dollar. The more goods Americans export, the higher the value of the American dollar becomes. (Abel & Bernanke 2001, pp. 483 - 484.)

2.1.2 Value of the American dollar in international trade

The value of the dollar as a currency is directly determined by supply and demand on the foreign exchange market, which is the market where currency traders constantly trade dollars against other currencies. The value is determined by the nominal exchange rate: an equilibrium point where the quantity of dollars that people supply (want to sell) equals to the quantity of

dollars demanded (people want to purchase). (Abel & Bernanke 2001, pp. 482 - 483.)

The American dollar has been a strong currency with a high value for already quite a long period of time. An economic study by Feldstein (2007) suggests that the main reason for this is a low saving rate in the USA among its citizens. The USA needs to fill the lack of capital in its own budget and the easiest way to do this is to attract more capital from abroad. Attracting investments is one possibility and creating a trade deficit or difference between spending on imports and earnings on exports, is another way to obtain resources for fulfilling the gap between low savings relative to investments. (Feldstein 2007, p. 662.)

If we would take a look in the past, between 1980th and 1985th the real value of the American dollar rose dramatically by almost 50 %. It resulted in a considerable decrease in the USA exports abroad. Taking into account the fact, that the United States of America was and still is one of the largest world exporters, such sharp increase in US dollar value had a large impact on the international trade. All goods priced in the American dollar became sharply expensive which has considerably decreased its net sales. During that time many US companies complained, that the strong US dollar put their products out of foreign markets and out of international trade because they had very uncompetitive prices. (Abel & Bernanke, 2001, pp. 480 – 481.)

American companies have even lost some of their foreign trade partners and customers during 1980^s. On the other hand, the high valued dollar has resulted in a considerable increase of imports to the United States of America. Domestic sales of American companies have considerably decreased. The high dollar created a situation, where imported goods were cheaper and therefore highly competitive against expensive domestic American products. This time in international trade in the American dollar has been named the 'beachhead effect". Such a situation is characterized by the strong American dollar which has for a long time enlarged the penetration of American market to foreign producers, while simultaneously declining the ability of U.S. companies to sell abroad (Abel & Bernanke, 2001, pp. 480 – 481.)

When talking about the value of the American dollar it is important to know the concept of the trade weighted dollar. The trade weighted dollar is a measure of American dollar value on foreign exchange market compared to certain chosen currencies. Trade-weighted dollars are compared/weight to currencies most commonly used in international trade. This concept is utilized for determining the purchasing value of the American dollar and for summarizing the effects of the US dollar fluctuations (depreciation and appreciation) against other currencies. In fact, when the value of the American dollar rises, imports to the United States of America become cheaper while the price of exports from the USA to other countries rises. (Investopedia. Trade-Weighted Dollar.)

2.2 Possibility and consequences of the American dollar devaluation for international trade

Currency devaluation definition – “A decline in a currency’s value compared to another currency or group of currencies. Currency is devaluated when its value in foreign exchange market decreases in relation to other currencies. It is one of the tools of a monetary policy of the state. A decision about currency devaluation is taken by the government of the country where that currency is in circulation. As opposed to currency depreciation it is not an outcome of non - governmental practices and market conditions.” (Investopedia. Devaluation.)

The central bank of the nation can wittingly make own currency worth less. For example, if the currency of country Y is established at fixed exchange rate 3:1 against Euro and if , due to the big economic problems that country is not able to pay its debentures and percentage on it , country Y can make a decision to devalue its own currency. In such case, the central bank of country Y will state its fixed exchange rate to be, for instance 15:3, thus making own debentures cost in several times less. (Investing Answers.)

Hypothetically, when a country has big debts owed to other governments, one way to simplify its repayment is to devalue its own currency. The consequences of the American dollar devaluation may be serious. Many businesses and individual people would lose much money .The possible results could be a big crisis

and a loss to the international trade, because a considerable part of it is done in the US dollars.

A sharp American dollar devaluation could lead to a big crisis which in turn might create some tension in relations between states. This could have a negative influence on international trade because trade always suffers when politicians cannot find a common language. However, big political and economic problems would only arise in case if the American dollar would be devalued sharply. But a sharp dollar devaluation is less likely to happen because it is happening gradually already today. Most likely, if the American dollar will continue to be devalued, its devaluation will proceed gradually and at a slow pace.

2.2.1 Decrease of the US international purchasing power – less international trade

A sharp dollar devaluation could theoretically result in a sudden decrease of the purchasing power of the US dollar. If this would happen, average consumers would be able to buy less goods and services with own American dollars. Such a situation may have a negative impact on international trade and could decrease its amount. During crisis people tend to buy less and they tend to be more careful in what they buy for what price. In other words they try to save money: to buy as much as possible with as little money as possible. Americans are known as active consumers. Therefore, if their consumption activity would suddenly decrease dramatically, this could have a negative influence on the international trade between the USA and those states which actively import to it as China, for instance.

The decrease of the US international purchasing power could create one more crisis. It could decline the volumes of goods and services which Americans might want to buy internationally. In case the American dollar would sharply be devalued, all goods priced in dollars may become very expensive. Expensiveness theoretically may decline their attractiveness and competitiveness on the global market. Less people would want to buy smaller amounts of goods priced in dollars.

Purchasing power parity definition: PPP – a theory which determines the exchange rate between a pair of currencies. It allows measuring the cost of a basket of products priced in two different currencies in one currency. (Mishkin 1995, p.178). PPP allows adapting an exchange rate in such way, that same product or service in two various states could be measured in the same currency, though demonstrating different numerical value. For example a T-Shirt in Russia can cost 400 rubles, while the same T-Shirt in Finland may cost 25 euro. If we would convert the price of both T-Shirts in Ukrainian currency - Hrivnia, we receive that in the first case the T-Shirt would cost around 80 Hrivnia and in the second case the same T-shirt would cost around 245 Hrivnia.

2.2.2 Bigger trade deficit in the USA

Definition of trade deficit: Trade deficit happens when the cost of a country's imports considerably exceeds the cost of its exports. It equals to the value of imports minus exports. The consequences and influences of the trade deficit on international trade are duplicitous. (Amadeo 2014 a.)



Figure 1. Graphical explanation of trade deficit.

On the one hand, it can increase the quality of life of the consumers because trade deficit results in bigger imports and respectively creates access to bigger choice of products and services at better prices. On the other hand, trade deficit results in smaller exports, thus influencing international trade negatively. (Amadeo 2013 a .)

The trade deficit in the USA was reported to have grown during the last several decades. The United States of America imports considerably more than it ex-

ports today because it is a state with a high level of consumption among citizens. That is why it has a positive trade deficit nowadays. Theoretically, in case the dollar devaluation happened, dollar might become cheaper and the trade deficit may increase more. Therefore, volumes of domestic production and exports would decline considerably in United States of America.(Hossain, 2010.)

The trade deficit and the cheap American dollar would make the US market more open to foreign imports because imported goods would cost less than domestic ones produced in USA. This may have a positive impact on international trade, because American citizens and the US market are active participants of international trade and consume a lot of imported goods. According to Kimberly Amadeo, during 2013 the total amount of USA trade transactions with foreign states made up \$ 5.02 trillion, where exports accounted for \$ 2.272 trillion and imports composed 2.744 trillion, creating a trade deficit of \$ 471 trillion.

One of the consequences of the growing trade deficit is that states which hold considerable reserves of the US dollar today, may take a sudden decision to sell it quickly. A big and sudden rise in the sales of the American dollar could decrease the value of this currency significantly, making it cheaper. It would lead to the situation, when products and services produced in USA become considerably more expensive than foreign ones. In such a situation amounts of American exports abroad may decrease because American goods would not be price competitive. (Hossain 2010.)

3 Literature review

This chapter is focusing on the observation of relevant articles and books written about the researched topics. It also includes an analysis and explanations of the written theoretical information by the author of the thesis. An important part of the literature review provided in this thesis are the definitions of studied concepts.

3.1 The total belief in the American dollar as international trade currency - What is it based on?

According to Taylor & Francis Group 2011 publication, the large size of the US budget deficit (US \$ 1, 85 trillion as assessed by Congressional Budget Office) might encourage the United States of America to strategically inflate its debt by energetically printing new dollars.

That would result in a considerable decrease of the American dollar value. The United States of America also has to pay interests on its huge debt burden. And in case if the USA will be unable to pay those interests, or pay back the debt if required, it would put the USA and the American dollar into default.

3.2 History of American dollar

In the past the American dollar was equal do the gold – you could exchange paper dollars on some amount of gold and dollar coins also contained some proportion of this precious metal, which was constantly decreasing over time and now equals to zero. (Moneda De Plata Para Mexico 2014.)

Today an amount of gold metal equals to zero in the American dollar coins. More than \$1 trillion US currency (paper and coins) is in circulation worldwide in the beginning of 2014. American currency plays a crucial role in facilitating trade (exchange of goods and services) not only in the USA, but around the whole globe.

The Amount of the American Dollar in circulation has constantly been increasing over time. The most dramatic rise happened it 20th century:

Date	Amount of currency in circulation (in millions)
June 30, 1910	\$ 3.148
June 30, 1920	\$ 5,698
June 30, 1930	\$ 4,522
June 30, 1940	\$ 7,848
June 30, 1950	\$ 27,156
June 30, 1960	\$ 32,065

June 30, 1970	\$ 54,351
June 30, 1980	\$ 127,097
June 30, 1990	\$ 266,902
June 30, 2000	\$ 571,121
June 30, 2010	\$ 945,138

Figure 2. Source: Federal Reserve Bank of Atlanta. Circulation of money, graphs.

The figure 2 illustrates that the total amount of US dollars in circulation has increased with almost 942 million dollar during just a hundred years or 4-5 human generations.

3.3 International trade

Definition of international trade - according to definition, “international trade is an exchange of products and services across national borders, typically through exporting and importing.” International trade is always beneficial for all parties involved in it because it allows countries to use their national resources more productively through specialization. It results in creation of better living standards and allows keeping the prices of many goods and services at low levels. (Cavusgil, Knight & Riesenberger 2012, p. 41.)

In case there was not any international trade between countries today, most of their inhabitants would not be able to eat, dress and house at current levels. Some usual products that we daily use (for example tea, coffee or sugar) would become very expensive or even unavailable in countries with unsuitable weather conditions to produce them. Theoretically, countries without international trade and without energetical resources such as gas, oil, coal or nuclear energy would not be able to function normally. Modern life as we see it today is actually impossible without international trade. (Cavusgil, Knight & Riesenberger 2012, p. 180.) International trade is one of the engines of progress. With the rise of its volumes not only standards of living are rising, but more scientific discoveries and inventions are done.

During the last fifty years the international trade has experienced an unprecedented growth. If in 1960 cross border trade between countries was modest and accounted for \$ 100 billion annually, today it accounts for \$ 13 trillion per year. Such rapid rise of the international trade is connected to globalization, to development of sophisticated global financial systems that facilitate money exchange and to fluent flows between countries. It is also connected to reduction of trade barriers between states and establishing of free trade areas and trade Unions such as WTO and MERCOSUR. (Cavusgil, Knight & Riesenberger 2012, p. 41.)

3.4 Theories of international trade

Mercantilism – the oldest concept about international trade dates to the 14th century. It suggests that the national prosperity results from having a positive trade balance reached by minimizing imports and maximizing exports. Mercantilism gives an explanation why some nations even today try to have a trade surplus (to export more goods than to import). Mercantilism can be seen as a protectionism strategy to protect the domestic market and domestic producers against inflow of foreign goods. It harms the interests of consumers, because restrictions on imports considerably decrease the choice of products available for purchasing. Product deficit, in turn, may result in unsatisfied demand and in price increase. (Cavusgil, Knight & Riesenberger 2012, p. 180.)

Free trade – an approach opposite to mercantilism developed by Adam Smith and David Ricardo. It states that an absence of trade restrictions to flow of foreign goods and services between countries is beneficial because it results in wider choices for consumers; lower prices (imported goods are often much cheaper than domestic ones); reduction of company's expenses which may lead to increasing salaries of employees; rising living standards of consumers (because cheaper imported goods decrease their costs); creation of bigger prosperity in poor countries. (Cavusgil, Knight & Riesenberger 2012, p. 181.)

Absolute advantage principle – was stated by the Scottish political economist Adam Smith in 1776. It stresses out that a country benefits by producing mostly those products, in which it can utilize fewer resources than other countries.

Every country would benefit from specializing on active production of narrowed scope of products by exporting surplus of own production and importing the rest of needed goods. Such an approach gives the nations an opportunity to consume more than they could by trying to produce everything themselves and at lower price. (Cavusgil, Knight & Riesenberger 2012, pp. 181- 182.) That can be explained by the fact that specialization in many times increases efficiency and productivity of employees, reducing time expenditures and costs of production.

Comparative advantage principle – was suggested by the British political economist David Ricardo. It claims that trade without a barrier is beneficial for two countries in case if one country is relatively more efficient at production of goods and services needed by another state. The relative efficiency with which country can produce some product is important. Even when a nation may have an adequate amount and variety of production factors to produce every type of goods and services it needs, it is not able to produce each one with equal efficiency. (Cavusgil, Knight & Riesenberger 2012, pp. 182- 183.) For example, Finland has an opportunity to grow tomatoes on its territory; however Finnish climate is not suitable for growing these plants in open ground, therefore Finland imports all tomatoes it needs from abroad and concentrates on creation and exporting of forest industry products in which it has a superior advantage, because Finland is rich with forests.

Competitive advantage - specific skills and assets of companies that are difficult to copy for competitors. They are known as firm specific advantages and ownership specific advantages. A competitive advantage is created from the presence in a firm of specific knowledge, capabilities, strong strategies, good relationships with key clients and business partners. Competitive advantage is created in individual firms by inventing novel and more efficient ways of competition and operational processes – innovation. An example of innovation is developing new modern technologies. (Cavusgil, Knight & Riesenberger 2012 pp. 187 – 188.)

Factor proportions theory – was developed by Heckscher and Ohlin. It suggests that each country should concentrate on production and exporting of those products that primarily use factors of production abundant in a particular

country. While goods that require sparse factors of production for creation must be imported from abroad. According to this theory, there is difference in efficiency of production and difference in the amount of factors of production between different countries. (Cavusgil, Knight & Riesenberger 2012 p. 184.)

International product life cycle theory - each product and technology goes through three stages of evolution: introduction, maturity and standardization. In the introduction stage the country originator enjoys monopoly in production and exporting, because at this stage it is the only country that possesses necessary skills and knowledge for production of particular items. Usually the introduction stage, when absolutely new products are developed happens in advanced economies with considerable scientific and monetary resources. During the maturity stage, goods production becomes more standardized and other states start manufacturing and exporting similar alternative products – the country inventor loses its monopoly. At the standardization stage production in the country inventor stops because it becomes more profitable to import products from other states. Nowadays, because of the globalization this cycle happens quickly for many goods. (Cavusgil, Knight & Riesenberger pp. 185 – 184.) International product life cycle theory is a good illustration of international trade.

3.5 Consumption Society in the USA and its influence on the American Dollar

The United States of America has for decades been a consumption society. It is a society in which people are eager to spend money for obtaining more and more goods and services. It is a common known fact about the USA. *“We are today consuming resources at a rate greater than the earth’s ability to replenish them. If the whole world consumed at the rate that Europe does, we would need two more planets. If we consumed at the rate of the USA, we would need five.”* (Manwani 2013, p.3). An abundance of products and expensive brands are seen as a sign of success, prestige and wellbeing.

Mass media, society and even your own family in the USA and all over the world often teach people from childhood that in order to be “happy” you need to be wealthy because if you were rich you could afford to buy more and to live a

more comfortable life. It encourages ordinary people to sell and to buy big amounts of, in fact, unnecessary goods and services. A proof of mass media influence on population, are numerous TV commercials advertising anything: from adorable soft toys targeted at kids and their parents to expensive cars targeted at adult men. (Taylor & Francis Group 2011, pp.191- 192.) Those advertisements are created in such a way, that they make the usual people believe that they really need and want this particular advertised items, thus encouraging people to spend more and enabling energetic trade and currency circulation in economy.

3.6 Spending in the USA and the American dollar

The topic of the American dollar cannot be fully understood without knowing spending patterns of the United States. Spending itself as a phenomenon is useful for any economy: people have money which they want to spend; they go and purchase goods and services, thus bringing profit to the shops, to those who produced sold items and to the government (profit in form of taxes). It makes normal functioning and existence of society possible.

Modern people want to buy more and more because they are influenced by society, by the rest of the world and by mass media that they constantly need new goods and services. People try to earn more money for example by having longer working days which is also good for economy. There is much labor force available for production activities, people work and pay taxes to the government. Consumerism in such a way can be seen as a “perpetual mobile” for economics – an endless battery that supplies necessary power for its existence.

The spending decisions of consumers are influenced not only by the incomes of individuals, but also by spending of others. People do actively watch what others buy and try to be “on the same level”. During the last several decades both spending and consumerism levels in the United States of America have grown significantly. It resulted in smaller savings which people were doing in banks. In fact, saving rates have decreased to historical bottoms. (Taylor & Francis Group 2011, pp.165- 171.)

According to a relative income hypothesis “Americans were saving less than Europeans in 1980 because income inequality in US was considerably higher than it was in Europe. This hypothesis also suggests that savings gap has grown wider because income inequality has been growing faster in US than in Europe during years following 1980.” (Taylor & Francis Group 2011, pp.165-171.) While the credit card debts were at record levels.

It is vital for the healthy economy to keep the balance between spending and spending in debt. Because if the whole society will spend in debt, it will accumulate one large governmental debt and a big economic crises - that is what was happening to the USA several times and what was having a bad influence on American dollar.

Spending is directly connected to the banking industry. Those two concepts always go hand in hand. Successful banks are vital for a healthy economic environment. The banking industry also wants its share from the big and tasty pie called “consumers”. The way in which banks can earn money is to deposit the savings from those consumers who want to make some savings for future and then to give the same money under good percentage to other consumers who want to buy something. There are two most commonly known ways to do it: to give consumer a credit card or to give consumer a loan. Both of those options are very popular in the USA.

Next two examples will be presented. Example 1: a buyer goes to the shop and wants to buy something, but he/she does not have enough funds today, he/she will get his/her salary the following week. The buyer takes his/her credit card and pays with it. The bank takes a small percentage from the buyer for lending money for one week. In case the buyer is not able to return the borrowed money during the period of time signed in contract between him/her and the bank, the bank will charge the buyer a penalty rate for each overdue week or even a day. Example 2: You want to buy a car. An initial value of the car is 5 000 euro, the bank suggests you to take a loan to buy this car for one year under 20% per annum. Thus, in total this car will cost you 6 000 euro from which 1000 euro will be received by the bank for loaning you someone’s savings. That is the healthy bank was described. What has happened in the USA is that the number of people who want to make savings has decreased while the number of consumers who want to take credit from the bank (to buy a house for instance) has risen.

The national saving of the country consists from business savings, government savings and the savings of households. Business savings, for example corporate retained earnings, were always quite high in the USA and are high today, reflecting strong level of profits. However, the personal saving rates of Americans were low between 2000 and 2008 (from 4% to less than 2.5 % from total earnings of individuals). (Feldstein 2007, p. 662.)

A small number of citizen savings in banks became a temporary problem for the banking industry. Investment capabilities of banks were slightly limited because a low national savings rate may result in saving – investment gap. (Feldstein 2007, p. 662.) However, national savings of the United States of America do not only consist of personal savings. Therefore, the American situation is not as bad as it may seem at first when taking a look at the graph below:

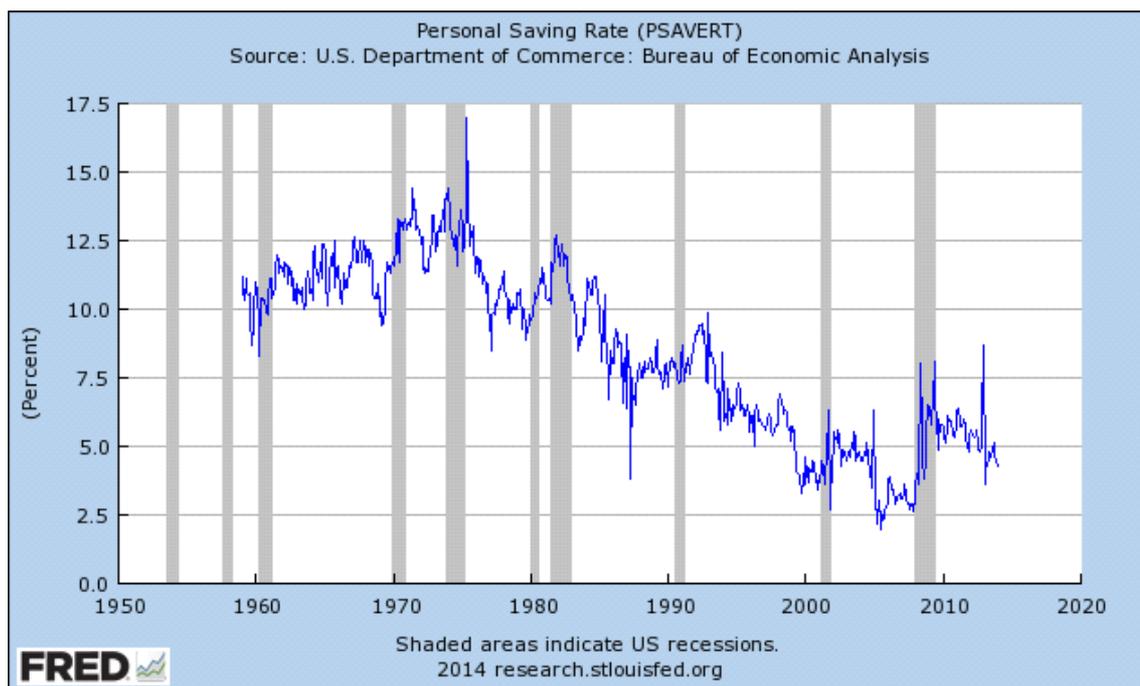


Figure 3. Source FRED, Federal Reserve Economic Data, Federal Reserve Bank of St. Louis: Personal Saving Rate, graph.

3.7 High levels of the USA consumption and financial crisis 2007-2008

The mass unsecured credit pattern in the United States of America such as increase in private indebtedness and home equity loans has had a negative impact on American currency during the summer 2007. Poorly controlled consumerism was an additional problem. Different types of credit which American citizens were taking massively, created economical problems in the USA. It has influenced negatively the economies of the several states and has led to a financial crisis. Theoretically, as a result of this the USA has created a small risk for American banks to become financially insolvent which in turn might have led to a complete devaluation of the American dollar, making it a paper not worth anything. In order to avoid such a negative situation, the USA got help from China by purchasing treasury bonds of Peoples' Bank of China. Thus, that bank has guaranteed that it takes responsibility for some of the debentures of the USA in case of necessity. It has prevented the mass scale panic and saved the American economy. In fact, Beijing held more than US \$800 billion in the last years. Moreover, even during the wake of financial crises China still continues providing American consumers with cash which enables them to maintain the lifestyles they got used to. (Taylor & Francis Group 2011, pp.174 - 175.)

Theoretically the euro can replace the American dollar as a number one world currency in the future. Population of all countries included in EU equals to around 502, 6 million people while population of US is only 317 million people. However, it is difficult to make any predictions and estimations in this case, because both the populations of US and EU are aging. (Schlesinger 2014). Both have high levels of young work force immigration today. Compare it to the population of China around 1 349 585 838 people. (China population - 2012). Why Chinese currency can't conquer the world currency market in case if China will become stronger state?

Years	Changing the American dollar value compared to the euro overtime
2002-2007	Dollar dropped dramatically 40% as the U.S. debt has increased per 60%.

	In 2002, a euro costed \$ 0.87 versus \$1.44 by December 2007.
2008	Dollar grew per 22% against 2007. By year end of 2008, euro was worth \$1.39.
2009	Value of the dollar declined per 20% because of the American debt fears. By December, the euro was worth \$1.43.
2010	The Greece debt crisis which has had a negative influence on euro has strengthened the dollar. By the end of 2010, the euro was worth just \$1.32.
2011	The value of the dollar declined per 10% against euro. By December 2011 the euro cost \$1.2973.

Figure 4. Source: Us Economy About.com. Value of the U.S. Dollar by Amadeo K. 2014 c

3.8 Strength of the dollar

This chapter is focusing on observing the reasons and conditions which make the American dollar as strong as it is in 2014 for a long period of time.

The American dollar is a reserve currency for many states. Reserve currency definition - reserves of currency retained by foreign states in central banks and major financial organizations. Used for paying international debentures, influencing domestic exchange rates, buying and selling commodities. It is beneficial for states to have sufficient reserves of most common currencies in order to be able to participate in international trade without urgent exchange of own currency for current reserve currency, thus decreasing exchange rate risks. (Investopedia.)

The strength of the American dollar is that the dollar has already been a world reserve currency for several decades. Governments of many states possess sufficient quantities of the American dollar as a reserve currency. The reason why the US dollar is a strong and popular reserve currency is because the American market is truly large, liquid and trustworthy. Dollars are accepted and recognized all over the world. This currency is global which can easily be exchanged to another currency in any state. (Barboza, 2014) Being a reserve currency is beneficial for American citizens because it allows keeping the balance and low interest rates, thus providing favorable credit opportunities.

The American dollar is the currency of a politically strong and respectful country: the USA. The geopolitical position of the United States has a considerable influence on American dollar as well. The United States of America is a respected and strong state which plays an important role in global financial market place and politics. This can be one of the reasons why the American currency has been strong and common for already a long time.

The American dollar is the world trade currency. For a long time the American dollar has been a dominant currency in international trade. Even today approximately 60% of the world currency reserves are saved in US dollars. This situation theoretically may change in the future. Several leading world economies even have been discussing the possibility of moving away from utilizing dollars

as one of the main international reserve currency. International Monetary Fund and United Nations have published a couple reports in which they talk about the necessity of creation or choosing of a new global reserve currency instead of the American dollar. (Snyder 2012 a)

3.9 Weaknesses of the dollar

The American dollar during May 2014 was worth 0,72 Euro per 1 dollar and 0,88 Swish Frank per 1 dollar. Those figures show that the American currency now is rather strong. The main weak points of American dollar are briefly described below.

As it was already discussed broadly before, one of the main weaknesses of the American dollar is the considerable debt which the United States of America owes to other countries. An American debt in total makes up more than 17 trillion dollars from which approximately 5 trillion is owed to foreign countries (e.g. China, Japan and others). Such considerable debt results in a gradual devaluation of the American dollar which declines its attractiveness for foreign investors and encourages them to gradually get rid of their American dollars by switching to other currencies. The American dollar declined almost 55 % against the euro during the 10 year period between 2002 and 2012. (Amadeo 2014 d)

A weakness of the American dollar is that it is doubtful how well the United States of America are able to guarantee the nominal value of the American dollars which are already printed. A big question is if the country which has around 17 trillion debts really has a sufficient amount of gold reserves or other commodities which might be exchanged to printed dollars? If the United States of America would possess sufficient financial resources, why it did not pay away all its debentures? If states and foreign banks would try to convert even a fourth part of their American dollar holdings simultaneously, the United States of America would not be capable to perform its debt obligations.

Each currency being in circulation today must have guarantees which make people believe that this currency is a safe one to use. Such guarantees are, for

example, possibilities to exchange currency (paper and coins) on some real value: commodities. The main guarantee of each currency which manages and controls its value is a system of central banks of the country managed by the government.

Commodities owned by governments play an important role in upholding value of the currency on a desired level. In fact, the more central banks have commodities demanded on the global market, the easier it will be to uphold the value of the currency on a good level. Politics also plays an important role in affecting the value and exchange rate of different currencies. Politics is in most cases even more influential for upholding the currency's exchange rate on a desired level than abundance of commodities. The United States of America is one of the best examples of such a situation.

3.9.1 Different opinions about the US gold reserves

This paragraph presents different opinions about the gold reserves of the United States of America: where is that gold; does it exist; in what quantity; who owns that gold and what has happened to it.

1) The gold, belonging to the American Treasury is staying in the place where it should be. However, due to the multiple instrumental transactions such as collateral it does not belong to American Treasury now. (Katasonov 2013.)

2) Gold from official American Treasury is not staying in depository anymore. In case if it is still there, then not in full amount, as it is listed in the Department of Finance's accountability. That gold was subjected to sale, credit operations and leasing. (Katasonov 2013.)

3) Gold bars situated in the US Treasury are all or partly fake. Real gold bars might have been replaced with fake ones made of metal that looks like gold for disguising illegal removal of real gold. (Katasonov 2013.)

4) The gold from the American Treasury has been returned to the banks from which it was originally nationalized during 1930's. According to this point of view, the American government has borrowed such significant amounts of capi-

tal from member banks of Federal Reserve System that the Treasury was compelled to pay it back in gold. (Katasonov 2013.)

3.10 The American dollar versus the Chinese Yuan

There is a widespread belief among the economists and businessmen all over the world that the American dollar may lose part of its power and role of reserve currency in the future. Instead, the Chinese currency Yuan may take a leading role. According to Harjani, (2014) importance of the Yuan will grow simultaneously with the growth of the China's economic influence. In fact, there is a strong connection between the American dollar and Chinese Yuan today. The value of the Chinese currency is determined at a certain fixed exchange rate towards the American dollar. However, according to economists, the Yuan is seriously undervalued. The economy of China is the second biggest on the planet today. It is predicted to grow more in the future. According to Matthews, (2014) the Chinese economy will leave the US economy behind already in 2028.

The Chinese intentionally undervalue their currency in order to make goods they produce cheaper and more competitive in the global market, thus enjoying exporting its production all over the world and in the United States of America. The USA is one of the most important trading partners of China. (Amadeo 2014 b). Relationships between those two countries are strong, mutually beneficial and thoroughly maintained by both countries. When the value of the American currency decreases, the Chinese government purchases the American dollars in order to support it.

China wants the American dollar to be strong because China owns over \$3 trillion of the American dollar which it cannot sell all suddenly in the financial market. However, China is getting prepared to the possible devaluation of the American dollar: it buys gold in considerable amounts. In case the USA devalued the American dollar, gold would considerably rise in price. In such a way even if China lost capital due to the US dollar inflation, it would win on the rising price of the gold.(Inteligencia Financiera Global 2014.)

The Chinese government is purchasing gold in large quantities in order to add it in the reserves of the Bank of China to the enormous amount of the American assignments situated there. Moreover, the government of China is encouraging ordinary Chinese citizens to buy gold and silver because it is aware of the fact that the dollar will not be the leading currency on the financial market forever. The more precious metal Chinese people will have the stronger the Chinese Yuan can become in the future. In opposite, the presence of the gold in sufficient quantities in the USA is highly doubtful. Despite the fact that the US government claims it possesses 8,000 tons of gold to it is not able to deliver physical gold to the German account (Moneda De Plata Para Mexico 2014).

4 Possible future of the American dollar

Summarizing everything that was written earlier, the future of the American dollar is hard to predict for the next 20 or 30 years. It depends a lot on the other countries, the holders of the American debentures: how long time those countries will want to hold their part of the American debt and finance the citizens of USA in their current life being. Due to the fact, that the holders of the US debt would lose their money if they required USA to pay debts back immediately, most likely those countries would require USA to pay debts gradually. At the same time, it is likely that everyone understands that the American dollar will be gradually devalued. Only during the last year the USA has demonstrated a current account deficit in size of \$426 billion (Forbes 2014). Therefore, countries which hold the American dollars in reserves may try to gradually switch to other more reliable currencies by making the American dollar weaker and weaker.

Theoretically, the American dollar can lose its role of the reserve currency in the future. Right now the value and viability of this currency is artificially maintained by other states. Primarily Chinese banks provide the United States of America with finance resources, necessary to keep the US currency afloat. Other states also actively support the US dollar by using it as international currency. However, a big question is how long this situation will continue. The American dollar is losing its grip on financial market slowly, while the euro and other currencies become stronger (Harjani, 2014 p.1).

The American dollar will stay strong as long as oil is priced and traded in this currency and as long as China will support USA.

5 Analysis of the interview answers

During the interview process 8 questionnaires were received in total, from which 5 respondents are employees of such companies as Wild Sport Finland OY, Euronics OY, Auto-Suni OY and Lappeenranta University of Technology (Lappeenranta University of technology 2014). Three other respondents are people not actively involved in international business, but they have had some transactions done with American dollars in their daily life. An example of the questionnaires can be found in appendices of this research paper.

5.1 The American dollar versus the Euro frequency of transactions

The first questions have shown that interviewed people in reality use the euro much more often than the American dollar. From 8 respondents only a quarter has mentioned that they use the US dollar.

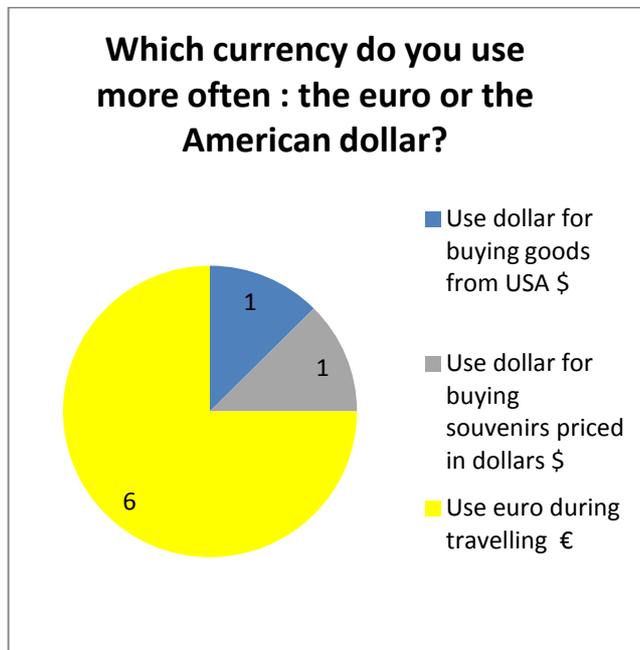


Figure 5. Which currency do you use more often: the euro or the American dollar?

One respondent use it for purchasing goods from the USA .Another respondent utilize it during travelling in southern countries for purchasing souvenirs which are priced in the American dollars. Most of the respondents have stated that they utilize euro during travelling. However, all of the interviewed respondents were chosen from a small geographic region and when the interview was conducted, all respondents were in Finland.

5.2 Possibility of the American dollar devaluation

According to the opinion of almost all respondents, there is a possibility of the devaluation of the US dollar. Five people from seven stated that gradual devaluation is more likely to happen. Those answers show, that both the people involved in international business trade and people not involved in it are aware of the currency fluctuations and problems happening in the financial markets. A gradual dollar devaluation is noticed by people: one respondent has even mentioned that it has been going on during the last several years.

5.3 Perception of international trade between the USA and Finland

From 8 people who have answered this question, the dominant idea about international trade between USA and Finland was "not bad, not good quality". It means that the general public does not have any precise idea about this problem. Only one respondent from all respondents who participates in international trade (a representative of electronics retail shop) has chosen an option that the quality of their trade relationships with USA is good.

The author of the thesis would add that it depends much on the volumes of the order: the more you order the faster and better the order can be performed; on total price of the order: the more expensive the order is the faster it can be delivered; and on goods availability in the USA. Sometimes it may take a really long time while the US importer sends some products to Finland.

5.4 Can the euro one day become the leading world currency instead of the US dollar

This question has brought interesting results: the biggest part of all respondents (5 from 8) has chosen an option "No". Only 3 respondents hesitate and think

that it is hard to say what exactly will happen on the currency market during the next 15-20 years. Those answers have shown that people still believe in the American dollar's strong position more than they believe right now in the position and future of the euro.

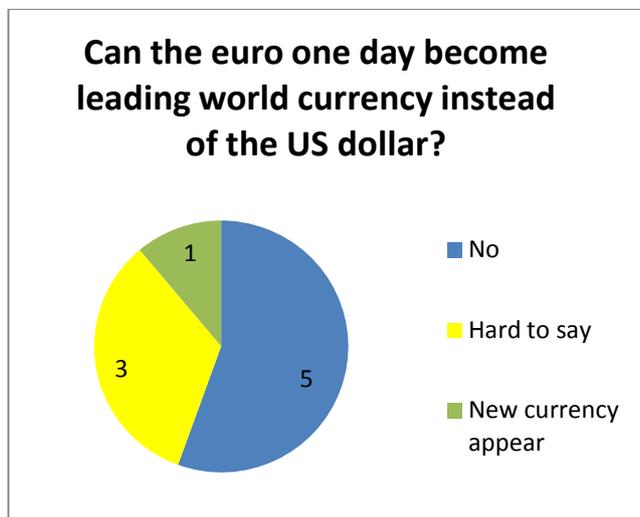


Figure 6. Can euro one day become leading world currency instead of dollar?

Almost half of the respondents do not think that any currency existing today will replace the American dollar on the exchange market, while 1 person supposes that in the future an absolutely new currency can appear which would unite the whole Eurasia.

5.5 Trust towards the American dollar

The survey which was conducted demonstrates a high level of trust towards the American dollar. Despite all risks and possible troubles which happened in 2014 people still believe in the US dollar. Three-fourths of all respondents have said that they trust to the American dollar. Only one respondent does not trust to the American dollar and one person trusts it but makes his/her own savings in another currency.

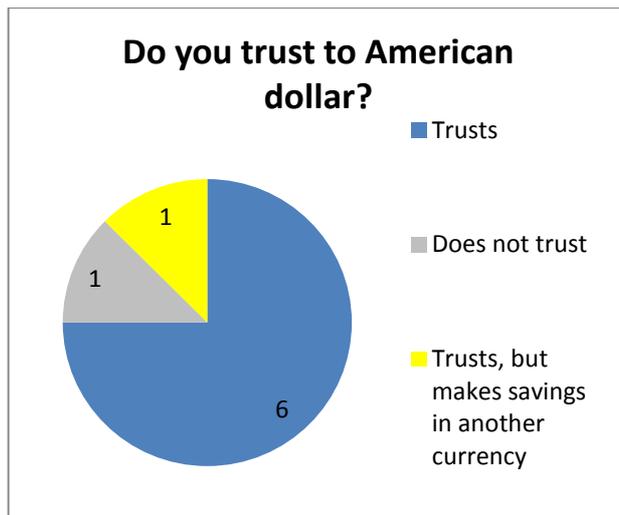


Figure 7. Do you trust to American dollar?

There was also an opinion stated by one respondent that the American dollar is trustable because it is very strong, however, with the time the euro may become more trustable. Such responses demonstrate that the American dollar still has a strong and safe place in people’s minds, because people still believe in it: out of 7 respondents 3 believe that people will trust American dollars forever.

The question “to which currency do you trust more?” brought controversial results. From 7 respondents 3 trust the euro, 3 trust the American dollar and one respondent trusts gold. An important role is the fact which currency is in circulation in the researched region. One respondent has told he uses the Euro because it is not a matter of trust, but a matter of convenience. People still trust the American dollars because according to their opinion the USA is a politically strong country with a strong economy.

5.6 The respondents’ opinions about possible consequences of the American dollar devaluation

Respondents have demonstrated several different opinions about the American dollar devaluation and possible consequences. The prevailing idea was that in case the American dollar would be devalued, everything which was sold in the US dollar would become more expensive.

As it has been mentioned earlier, when currency is devaluated, its value decreases and the prices for goods and services consequently rise. For example, what had a price of 5 conventional unit before devaluation will have price 15 conventional units after devaluation. One respondent claimed that if the American dollar was devaluated, less international trade would be done and more goods would be sold in the euro.

5.7 Can the American dollar stop being main reserve currency in the future

Almost a half of all the respondents have disagreed with the statement that the American dollar can stop being the main reserve currency in the nearest future. Such responses demonstrate that statistically half of the people who use the American dollar have the perception that this currency is strong and trustworthy enough to be a reserve currency.

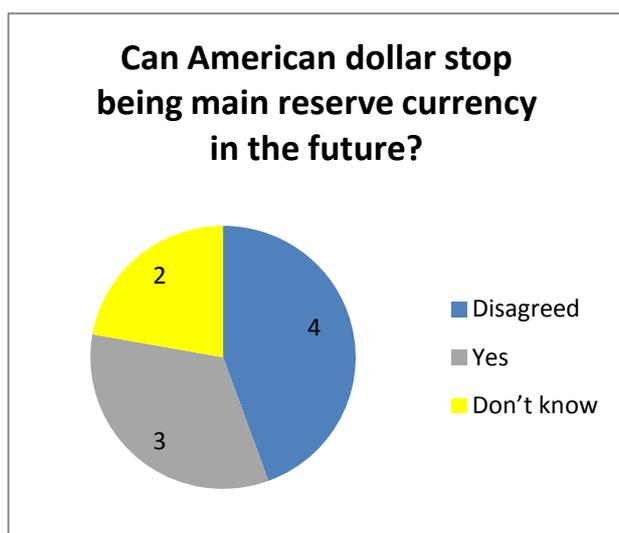


Figure 8. Can American dollar stop being main reserve currency in the future?

On the other hand, answers given by another half of respondents show hesitation: 2 people answered "yes, dollar may stop being reserve currency in the future" and 2 people "don't know". I guess if the same question was asked 20 years ago, the answers would demonstrate higher degree of confidence in the American dollar.

5.8 Recommendations to investors

During working on my thesis I came to the conclusion that a sharp US dollar devaluation is less likely to happen. However a gradual devaluation has been going on for more than 10 years. The American debt is not decreasing, but it continues to grow, therefore it is logical to assume that the American dollar devaluation will continue to be in the future as well. My recommendations to investors and to the people who do lots of international trade in the American dollar is to diversify their finances and assets: not getting stuck with only one currency like the American dollar, but to try to have savings and transactions done in several currencies simultaneously.

Everyone who may have any relation towards the American dollar or towards international trade in this currency should know and remember about its gradual devaluation. It is even more important to be prepared for sudden and noticeable drops in the US dollar value: for example a 7% decrease during one day or more. A good protection is to be always prepared to some degree of uncertainty associated with the American dollar and its future. It is vital to be mobile and to keep your own assets and finances as liquid as possible. Do not keep all eggs in one basket or all savings in one currency is also a good precaution.

A good protective measure for those companies which do most of their international trade with the United States of America is to start discovering new markets and to look for new business partners outside of the USA. The more participants there are involved in international trade, the better it is for a particular business organization. It is also recommended to everyone who is involved in the business with the American dollar to regularly check reliable news sources about what is happening on the currency market.

6 Conclusion

In this study the possibility and consequences of the American dollar devaluation and its importance for international trade were researched. The American dollar today is a global currency, second by popularity and prevalence after the euro. It plays a significant role in international trade because a considerable part

of it is done in the American dollar. Moreover, this currency has for decades been a main reserve currency for many states. The United States of America is one of the leading participants of international trade with one of the highest levels of consumption and production (GDP) in the world. (The World Bank 2014).

The most important consequences of the American dollar devaluation discussed in this thesis were: the US dollar may stop being the world reserve currency; the trade deficit in the USA may grow significantly (imports in the USA will be much higher than exports from it); decrease of the purchasing power of the American dollar which may decrease volumes of international trade significantly.

Reliable capital investments are gold and other commodities. All currencies, including the American dollar depreciate (sometimes devalue) over time, however gold always becomes more and more expensive. A good recommendation is also to have bank accounts opened in several countries. If one more global crisis happened, probably it would take some time for the crisis to spread. Thus, investors who have bank accounts opened in different parts of the world would have time and the possibility to transfer their money to more safe countries. It is really beneficial to have bank accounts opened in several countries. If a crisis completely destroyed or damaged the savings in banks of one country, money placed in banks of other countries still had a considerable chance to stay in safety and to be liquid.

It is absolutely not safe to have all money savings inside one country. Remember what happened with the banks of Cyprus in 2013 and especially to their clients: when a crisis has happened, Cyprus accepted rescue conditions suggested by the European Union. Those conditions suggested that Cyprus would receive help from the EU in size of 10 billion euro if it collected 13 billion euro itself by nationalizing a part of the cash and savings from the Cypriot banks (Euromag 2013.)

Many thousands of deposit holders, shareholders and bondholders have suffered (BBC News 2014). 8.3 billion euro were collected in the National Bank of Cyprus and the Bank of Cyprus by nationalizing a part of the deposits

exceeding 100 000 euro (Euromag 2013). Perhaps, banks in general are not the safest places for your own money, because banks always must obey the government. When a crisis happens, the government borrows money from the banks in order to save the economy.

In my opinion the euro today and in a long-term period of time is more trustworthy than the American dollar despite all the crises which periodically hit euro zone. Therefore, I would recommend to those who save money in the American dollar to sell it and to buy the euro. The euro is much stronger compared to the American dollar because 18 different countries today use this currency and most likely they will not give up easily in this initiative. (European Commission 2014).

A considerable part of goods and services are priced and sold in the US dollar today. However, rise of a new global international trade currency is possible. It is likely to predict that if the American dollar collapsed, the Chinese currency Yuan would take the role of the global currency. Even today USA is considered to be the most attractive market for importing by many countries. China is the main trading partner of the USA. A dollar devaluation resulting in the increase of trade deficit in the USA may many times increase the volumes of Chinese exports to the USA, thus bringing to China more strength and prosperity.

When discussing the American dollar devaluation, most likely it will not happen suddenly, but will proceed gradually. This is because countries which hold a considerable part of the American debt (China and Japan) themselves do not want and will not allow a sharp dollar devaluation to happen. Those countries do not want to lose their money which USA owes them. They are able to have some influence on the dollar's value by selling and buying it because those countries trade much with USA in dollars and because they possess considerable quantities of the American dollar in reserves.

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Appendix

Questionnaire. The American dollar in international trade.

Dear participants please answer this questionnaire necessary for me to be graduated. If you don't understand or don't like any question, or if question is not related to you, just skip it and go to the next one. THANKS TO ALL WHO WILL HELP :).

1) If you buy goods from USA, do you have lots of transactions done in American dollars?

Yes/ No/ Other

2) In case if American goods/ services raw materials and everything priced in dollars will sharply increase in price what effect will it have on your business or finance situation?

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3) If you are a person who travels a lot around the World, which currency do you use more often?

The American dollar/ The Euro/ Other (please, specify)

4) Do you think that sharp dollar devaluation could be possible?

Yes/ No/ I don't know/ Other (please, specify)

5) Do you think that gradual dollar devaluation is more likely to happen?

Yes/ No / I don't know/ Other (please, specify)

6) How do you see yourself an international trade between USA and Finland today?

Good quality/ Bad quality/ Not bad, not good/ Other (please, specify)/ I don't know

7) Do you think that the euro can ever become the only main and global currency (in other words to take the place of American dollar?)

Yes/No/ Hard to say/ I don't know

8) How much international trade do you do?

I do some / I don't do at all/ Other (please specify which).

9) In how many countries you have trading partners? (Please name countries or just their amount)

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10) How much do you trust to the American dollar yourself?

I trust / I don't trust at all/ I trust a little bit/ I trust it, but I save my money in another currency

11) Does different types of advertisements make you to buy more products/ services?

Yes/ No/ I don't know/ it depends: sometimes yes, sometimes no/ other (please specify)

12) To which currency you trust more:

American dollar/ Euro/ other (please, specify)

13) How do you think, will any currency of exiting today soon become an absolute favorite on exchange market?

Yes/ No/ Other (please, specify which currency)

14) How do you think: how much more time people will trust to American dollar?

Forever / I don't know/ 5 years more / 10 years more/ they don't trust it / Other (please, specify)

15) Why do people trust to American dollar today?

- America is a politically strong country
- Everyone believes in American nation and consequently currency
- Other (please, specify)

16) How the role of American dollar as an international trade currency has changed during the last 20 years?

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17) In case if sharp dollar devaluation would happen, what consequences you think it might have for international trade?

- More international trade would be done
- Less international trade would be done

- More goods would be sold in euro
- People bought fewer goods in dollars, because dollar would be more expensive
- Everything which is sold in dollars would become more expensive
- I don't know
- Other (please specify which)

18) Do you think that the American dollar can stop being main reserve currency in the nearest future?

Yes/ No/ Don't know/ Other (please specify)

19) Do you know about strong economic mutually profitable relationships which exist between USA and China? (Those countries economically support each other).

Yes/ No/ I don't know

20) Are you agree that international trade is beneficial for states which participate in it?

Yes

- No

- I don't know

- Other (please specify)

21) If not dollar, which currency should perform the role of main World reserve currency?

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22) Do you think that to take a credit from bank is a good option to get money for buying a new car?

Yes/ No/ I don't know/ Other (please specify)

23) In which currency you would prefer to have your savings:

Euro/ American dollar/ Chinese Yuan / Swiss Franc/ Other (please specify)

24) How do you see the future of the American dollar?

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