

The impact of the dollar depreciation on the u.s. economy

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This would make U. S. goods expensive for foreign consumers and equate the depreciating dollar advantage of the U. S.

Furthermore, the U. S. economy can benefit a lot if depreciation in the dollar helps to increase exports and decrease imports. An increase in exports could stimulate demands and push firms to hire more people. This would be a good sign for the U. S. economy which is facing an unemployment rate of around 10%. Furthermore, the U. S. companies would get more revenue from selling abroad, and thus, would be obliged to pay more taxes to the government.

However, a depreciated dollar can have negative consequences both for itself and the world. Oil is traded in U. S. Dollars on the international market, and oil and dollar share an indirect relationship. That is; a rise in dollar value decreases the price of oil, whereas a fall in the U. S. Dollar increases the price of oil. Although the dollar has depreciated over the last two years, it can still withstand the economic pressure, but continued depreciation would cause oil prices to rise throughout the world. This can lead to a price increase in most things and hence, inflation. Any sudden fall in the dollar value can bring about skyrocket inflation and can crush the U. S. economy.

All in all, I feel that although the U. S. dollar is depreciating, investors around the world still have enough confidence to trade in U. S. dollars, at least in the foreseeable future.

Information regarding the impact of currency depreciation on trade and the economy can be found easily on the net. You can also discuss other issues such as investor confidence, global forces that determine the exchange rate, and the role of a fiat-based currency model.