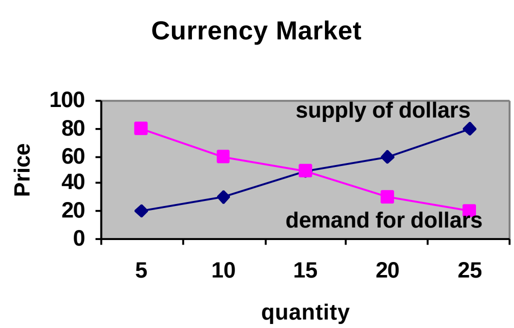
Transparency #1
Value of the Dollar

The value of the dollar worldwide is determined by the amount of imports and exports for the United States.

When the U.S. exports goods, demand for the dollar is created because goods are purchased with U.S. dollars.

When the U.S. imports goods, supply of the dollar is created because U.S. dollars are traded for the currency of the importing nation.



The value, or price of the dollar, is determined at equilibrium in the currency market.

If exports increase, the demand for the dollar will increase and so will the value of the dollar.

If imports increase, the supply of the dollar will increase and the value of the dollar will decrease.

Transparency #2
The Balance of Trade, Payments, and the Value of the Dollar

The balance of trade is determined by comparing imports and exports.

Positive Balance of Trade = exports > imports

Negative Balance of Trade = exports < imports

Balance of Payments[1]

	1999	2000	2001
U.S. Exports	**957,146**	**1,064,239**	**998,022**
U.S. Imports	**1,219,383**	**1,442,920**	**1,356,312**
Trade Deficit	**262,247**	**378,681**	**358,290**

Because more goods were imported than exported, foreign currency is borrowed to pay for the imports.

The trend shows a decline in the value of the U.S. dollar compared to foreign currencies in general.

Even though the value of the U.S. dollar may be declining relative to all foreign currencies it may be increasing relative to the value of the currency in an individual nation.

[1] United States Department of Commerce. *Bureau of Economic Analysis.* Department of Commerce, 2002. www.bea.gov.