

The US Dollar: The King of Currencies

Let's begin with a quick quiz: of all the products that America exports to the rest of the world, what uniquely American creation is *the* most sought after U.S. product worldwide?

As an exporting nation, the range of possible answers is, of course, as diverse as the American economy.

And although the U.S. continues to be the preeminent global exporter of many highly desirable goods—ranging from cars and trucks, to movies and television programs—the *most* sought after American product worldwide remains its most durable and reliable commodity: the U.S. dollar.

Yes, even in an age in which it's fashionable among some to speak about the decline of American dominance in global affairs, the dollar remains *the* most desired—and powerful—currency worldwide.

When asked about the driving forces behind the might of the American dollar, economists will likely proffer several reasons for its ongoing supremacy among world currencies. However, I believe that the most significant reason for the dollar's continued strength is simple: it is both backed by—and representative of—the United States.

All one has to do is read or listen to the news any day of the week to discover how unstable and insecure much of the world is these days. And that global instability and insecurity often comes in many forms: social, political, as well as economic. Even some of our most traditionally stable allies, including several European nations, find themselves struggling to overcome social and economic instability as they continue to

wrestle with the after-effects of the Great Recession, as well as the domestic threats posed by terrorist groups at home and abroad.

Which is not to say that America does not face many of the same social and economic challenges as our allies. The key difference is that--despite China's growing economic strength, and our own domestic economic challenges—the United States is correctly viewed as the “safest harbor” among the world's major economies. The strength of the dollar simply reflects that worldview.

Contrary to what you might hear daily in news reports, our government is still among the most stable in the world, and our economy remains the largest and most influential worldwide. In fact, in the ensuing years since the Great Recession, the American economy has been the most resilient of all the major world economies.

Add to that the fact that American workers are amongst the world's most productive--and the immense influence that American consumers' buying power has on global exports--and you begin to see why the world views the American dollar as the most desirable among global currencies.

Now, there is—of course—a downside to having the world's strongest currency. American companies export goods to nations around the world, and a stronger dollar makes those goods more expensive for other countries to import. That, in turn, adds to the nation's trade deficit (the difference between the amount of goods we export versus those we import).

So, while American consumers may benefit from a strong dollar when purchasing foreign currencies for their vacations (in Europe, Asia or elsewhere), there is also a price to be paid back home for the muscle of the US dollar.

All of this may seem to some like an obscure debate topic among economists, but the fact is that an overly strong US dollar signals both good--and potentially bad--news for both American businesses and consumers.

Take, for example, the US auto industry.

In earlier posts, I've discussed the resurgence of US automakers, and how our company's subsidiary--National Credit Center (NCC)--continues to grow and prosper along with the auto dealerships it services.

However, due to globalization, the US auto manufacturing industry is now far more international than it has ever been (best example being the Italian-based ownership of Fiat-Chrysler). In this new era, the price of US exports—as well as domestic imports—resulting from a strong dollar, can have a direct effect on the bottom line of both American businesses as well as consumers.

Still, despite its potential pitfalls, the global strength and desirability of the dollar is a reminder that in an age beset with chaos and uncertainty, America--and its mighty 'greenback'—is still seen as providing the safest of safe harbors throughout the world.