

## Master of Liberal Arts 60643

### Economic Controversies

Homework Assignment #7 and #8 (2018)

DUE: April 10

INSTRUCTIONS: People seem to think that trade flows are more sensitive to exchange rate movements than they really are. In fact, you are far more likely to find yourself with a deteriorating trade balance because your domestic economy is growing than because your currency appreciated. See what you find. Do two Harvey Tests, one comparing the current account balance (i.e., trade balance) with the value of the dollar and one with US GDP.

	<b>Current Account Balance</b>	<b>Trade Weighted Dollar</b>	<b>GDP</b>
1980	0.58	36.35	5,834.0
1981	1.26	40.34	5,982.1
1982	-1.38	46.83	5,865.9
1983	-9.67	52.81	6,130.9
1984	-23.59	60.11	6,571.5
1985	-29.54	67.16	6,843.4
1986	-36.79	62.35	7,080.5
1987	-40.17	60.42	7,307.0
1988	-30.29	60.92	7,607.4
1989	-24.87	66.90	7,879.2
1990	-19.74	71.41	8,027.1
1991	0.72	74.35	8,008.3
1992	-12.90	76.91	8,280.0
1993	-21.20	83.78	8,516.2
1994	-30.40	90.87	8,863.1
1995	-28.39	92.65	9,086.0
1996	-31.19	97.46	9,425.8
1997	-35.18	104.43	9,845.9
1998	-53.77	115.89	10,274.7
1999	-75.41	116.16	10,770.7
2000	-104.09	119.55	11,216.4
2001	-99.15	126.06	11,337.5
2002	-114.31	126.83	11,543.1
2003	-129.77	119.27	11,836.4
2004	-157.13	113.76	12,246.9
2005	-186.44	110.84	12,623.0
2006	-200.16	108.71	12,958.5
2007	-177.58	103.58	13,206.4
2008	-169.28	99.88	13,161.9
2009	-95.47	105.66	12,703.1
2010	-110.49	101.82	13,088.0
2011	-116.48	97.15	13,313.4

Current Account Balance in Billions of Dollars ([www.economagic.com](http://www.economagic.com)); Trade Weighted Dollar is an average vs our trading partners (higher means stronger dollar; [www.economagic.com](http://www.economagic.com)); and GDP is Gross Domestic Product in billions of chained 2005 dollars (*Economic Report of the President*).