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ECON-102-C

May 4th, 2020

Currency Manipulation

Real Exchange	Percent Change Yuan	Percent Change Inflation US	Percent Change Inflation China
8.00%	9.91%	5.22%	7.13%

From this data we can see that the real exchange rate is growing and in favor of China. This would indicate that China is in fact manipulating their currency in order to gain an advantage in trade with the United States. By artificially devaluing their currency, it allows their exports to be boosted while imports are limited. This gives China a trade advantage against the US as the exports from the US are not desired in China but the exports of China are desired in the US. In order to fight this, the United States should use the opposite strategy to counteract the currency values without causing a trade war. To do this, the Fed should buy up assets in yuan to balance out the reserve balances. This would make Chinese exports more expensive for Americans and American exports less expensive for Chinese buyers. This should help decrease the current trade deficit and encourage China to reduce its reserve of US dollars. Trying to implement policy against China has not been effective, so this approach would help to solve the issue without needing them to comply. This would effectively limit or get rid of the trade advantage that China has been attempting to build against the US.