

Macro Roundup Article

Headline: [Will Trump Get His Wish for a Weaker Dollar?](#)

Article Link: <https://www.project-syndicate.org/commentary/dollar-too-strong-will-likely-fall-in-next-presidential-term-by-kenneth-rogooff-2024-07>

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Tweet: [@krogooff](#) notes that the real dollar exchange rate is far above normal levels and investors should expect “convergence back to the mean.” A second Trump administration likely won't have to engineer a weaker dollar.

Summary: Any broad measure of the “real dollar exchange rate” adjusted for relative inflation in America’s major trading partners shows that the greenback is far above normal historical levels. Only the 1985 and 2002 peaks look remotely comparable, and on both occasions, the dollar fell sharply in the following years. Exchange rates are famously difficult to explain, much less predict, but one empirical regularity across a wide range of currency pairs and historical circumstances is that there tends to be some convergence back to mean whenever the real exchange rate is far out of line. The pace is not necessarily rapid, typically taking around three years for a real exchange rate overvaluation to reduce by half, but it is nevertheless quite discernable in the data.

Related Articles: [How to Manage the Dollar \(Part I\)](#) and [He Helped Trump Remake Global Trade. His Work Isn’t Done](#) and [Local Currency Returns](#)

Primary Topic: Financial Markets

Topics: Financial Markets, GDP, Op-Ed/Blog Post, Politics, Trade (not deficits)

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