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Nota di contenuto	<p>Contents; I. Introduction; II. The Current Account Balance and The International Investment Position; III. Some stylized Facts on the dollar and the U.S. current account; A. Two Dollar Cycle Episodes; B. A Comparison Between 2 Adjustment Episodes; IV. Reconciling Prices and Quantities; A. Is the REER Mismeasured? The WARP Argument; B. Is The U.S. Current Account Deficit Overstated?; C. Adjustment Lags; D. The Terms of Trade and Oil Prices; E. External Adjustment and Shift in Relative Prices; V. Conclusions; Tables; 1. Historical Patterns of U.S. Dollar Real Depreciations (1973-2008)</p> <p>2. Historical Patterns of U.S. Dollar Nominal Depreciations (1976-2008)</p> <p>3. The U.S. Current Account Balance and Oil Prices during the Adjuntment Episodes; 4. Cumulative Financial Flows and Changes in the U.S. International Investment Position; Figures; 1. Real Effective Exchange Rate, January 1973-September 2008; 2. Current Account Balance and Non-Oil Balance on Goods and Services (ratio of GDP, 1970Q1-2008Q2); 3. Real Effective Exchange Rate and ""WARP"" Index; 4. Lagged ""WARP"" Index and Non-Oil Balance of Goods and Services 5. Non-Oil Trade Balance and Real Exchange Rate: Cross-Correlation (1978Q1-2008Q2)6. Terms of Trade and Oil Prices, 1973-2008; References</p>
Sommario/riassunto	<p>The real effective exchange rate of the dollar is close to its minimum level for the past 4decades (as of September 2008). At the same time, however, the U.S. trade and currentaccount deficits remain large and, absent a significant correction in coming years, wouldcontribute to a further accumulation of U.S. external liabilities. The paper discusses thetension between these two aspects of the dollar assessment, and what factors can helpreconcile them. It focuses in particular on the terms of trade, adjustment lags, andmeasurement issues related to both the real effective exchange rate and the current accountbalance.</p>