

## Why some see the dollar's drop as a sign America is losing its financial might

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**Warm-up question:** Have you ever made a decision based on how strong or weak a currency was—like choosing when to travel, where to invest, or what to buy online? What influenced your choice?

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SCOTT SIMON, HOST:

The U.S. dollar has long been a symbol of America's financial dominance. But this year, the dollar has fallen over 10% in value - its worst start of the year since 1973. And that raises the question - is the U.S. losing its financial standing in the world? NPR senior business editor Rafael Nam joins us. Rafael, thanks so much for being with us.

Why is the dollar down so much?

NAM: Well, Scott, **it boils down to** this. American stocks and bonds are no longer that popular anymore, and that's a big change. For years, foreign investors have been scooping up U.S. stocks and bonds. And those transactions have to happen in dollars because obviously, you need dollars to, say, buy a hundred shares of Microsoft, for example. So **the bottom line** is when foreigners buy American things, the dollar gains. But this year, not so much. In fact, foreign investors have been selling bonds and stocks. It's become **prevalent** enough that it's now known as the sell America trade.

SIMON: Why sell America?

NAM: Because it's been an incredibly chaotic year so far. Whether you agree with President Trump's policies or not, it's just been a **firehose** of events. There's been tariffs on just about every country in the world. Trump **picked a fight** with the Federal Reserve over interest rates. There's the conflict with Iran. All of those things create a lot of uncertainty, and the truth is that foreign investors do have other choices. We're seeing that play out right now. The S&P 500 is up more than 6% this year - not bad, honestly, considering the year we've had. But both the German and the Hong Kong stock indexes have far outperformed the U.S. stock markets.

SIMON: Rafael, does this seem to you to be a short-term **blip** or a longer trend?

NAM: That's the trillion-dollar question, Scott. The truth is, there are few markets as big and as open as the U.S. It's why the U.S. has been so dominant. But the U.S. has long-standing issues as well. There have been deep political divisions for years now, and then there's the debt. The U.S. continues to load up on debt. That was manageable when interest rates were low. But they are not anymore, and paying off that debt is getting very expensive. And now there's this GOP megabill that will add trillions of dollars of additional debt. This is Harvard Professor Kenneth Rogoff, who's been studying global economies for decades and recently wrote a book about the dollar.

KENNETH ROGOFF: The dollar's **reserve currency** status has been **fraying at the edges** for at least a decade, and the process is accelerating under Trump.

NAM: And, you know, Scott, that's something I've heard from others too. This selling America trade is not just about Trump. It's about these long-standing issues that the U.S. has yet to resolve.

SIMON: Have to ask, Rafael, if there's not a more positive way of looking at this. I mean, there are some benefits to a weaker dollar, aren't there?

NAM: Well, for sure. Many domestic manufacturers have long been struggling because a stronger dollar makes them less competitive against imports. And it's great for tourism, for example. A weaker dollar is maybe not so good if you're - were planning to go to Paris, for example. But it's good news if you're a shop owner in Times Square. At the end of the day, exchange rates do go up and down. But we still have this habit of using currencies as a sign of national standing - of **virility**, as one analyst put it to me. But the dollar's history makes the U.S. a little different. I mean, the dollar has been a source of pride for decades. And this question - will the dollar ever lose its dominance? It used to be more of an **academic debate**, Scott. But today it's a genuine question being asked by many investors around the world.

SIMON: NPR's Rafael Nam. Thanks so much.

NAM: Thank you, Scott.

**Vocabulary and Phrases:**

1. **It boils down to:** the main or most important reason or explanation for something.
2. **The bottom line:** the essential or most important point; also used to refer to financial outcomes.
3. **Prevalent:** widespread or commonly happening.
4. **Firehose:** (figuratively) a constant, overwhelming flow of something, like news or events.
5. **Picked a fight:** started a conflict or disagreement, often unnecessarily.
6. **Blip:** a small or temporary change that may not have lasting effects.
7. **Reserve currency:** a currency held in large amounts by governments and used in international trade and finance (e.g., the U.S. dollar).
8. **Fraying at the edges:** slowly weakening or becoming less strong or effective.
9. **Virility:** strength or power; often associated with masculinity, but here used to describe national strength or prestige.
10. **Academic debate:** a discussion mostly limited to scholars or experts, rather than a real-world concern.

**Comprehension Questions:**

1. Why is the U.S. dollar losing value, according to the report?
2. What is the "sell America" trend, and why is it happening?
3. What does the phrase "picked a fight with the Federal Reserve" suggest about President Trump's actions?
4. How could a weaker dollar help American manufacturers and businesses?
5. Why was the question of the dollar losing dominance once considered only an "academic debate"?

**Discussion Questions:**

1. Do you think people judge a country by the strength of its currency? Why or why not?
2. What are the pros and cons of a strong vs. a weak national currency?
3. Should a country's economy be viewed as a sign of national strength (virility)? Why might that idea be outdated or still relevant?
4. What can governments do to regain investor confidence when their currency is losing value?