



Directions: In your small groups you will analyze 4 sources. To start, each group member will have one of the sources. You will answer the question related to the image or text. After all students have answered questions for each source, you will discuss your observations with your groups.

Document A: US' Currency War, Retrieved from <https://www.thebalance.com/what-is-a-currency-war-3306262>

The U.S.' Currency War

The United States doesn't deliberately force its currency, the dollar, to devalue. Its use of expansionary fiscal and monetary policy has the same effect.

For example, federal deficit spending increases the debt. That exerts downward pressure on the dollar by making it less attractive to hold. Between 2008 and 2014, the Federal Reserve kept the [federal fund rate](#) near zero, which increased credit and the money supply. It also created downward pressure on the dollar.

But the dollar has retained its value despite these expansionary policies. It has a unique role as the world's reserve currency. Investors tend to buy it during uncertain economic times as a safe haven. As an example, the drastic oil price drop between 2014 and 2016 caused a mini-recession. Investors flocked to the dollar, which caused the dollar value to increase by 25%.



Document B: China's Currency War, Retrieved from <https://www.thebalance.com/what-is-a-currency-war-3306262>

China's Currency War

China manages the value of its currency, the yuan. The People's Bank of China loosely [pegged it to the dollar](#), along with a basket of other currencies. It kept the yuan within a 2% trading range of around 6.25 yuan per dollar.

On August 11, 2015, the Bank startled foreign exchange markets by allowing the yuan to fall to 6.3845 yuan per dollar. On January 6, 2016, it further relaxed its control of the yuan as part of China's economic reform.

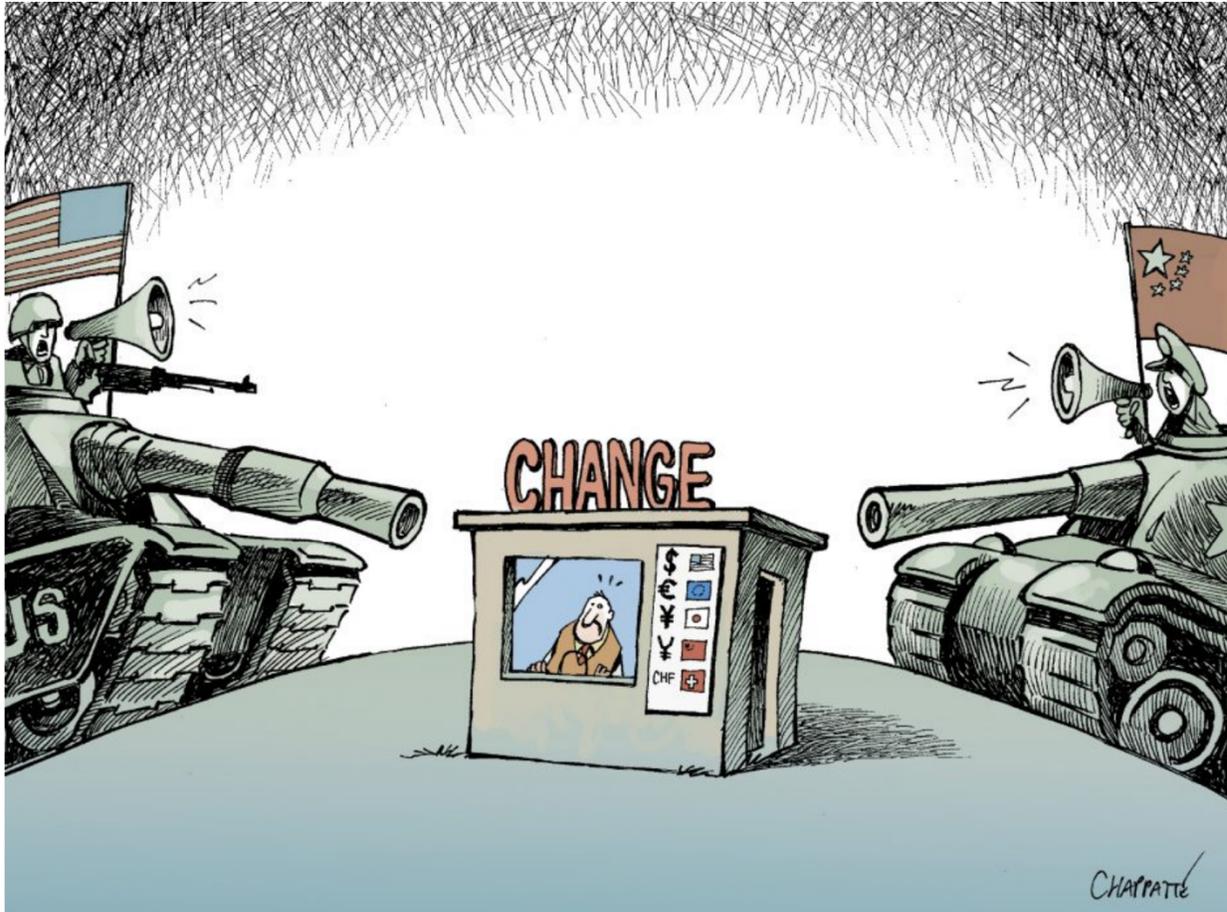
The uncertainty over the yuan's future helped send the [Dow Jones Industrial Average down 400 points](#). By the end of that week, the yuan had fallen to 6.5853. The Dow dropped more than 1,000 points.

In 2017, the yuan had fallen to a nine-year low. But China wasn't in a currency war with the United States. Instead, it was trying to compensate for the rising dollar. The yuan, pegged to the dollar, rose 25% when the dollar did between 2014 and 2016.

China's exports were becoming more expensive than those from countries not tied to the dollar. It had to lower its exchange rate to remain competitive. By the end of the year, as the value of the dollar fell, China allowed the yuan to rise.



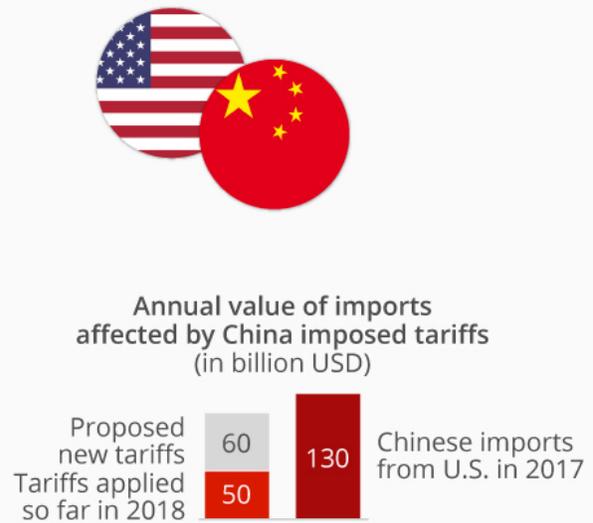
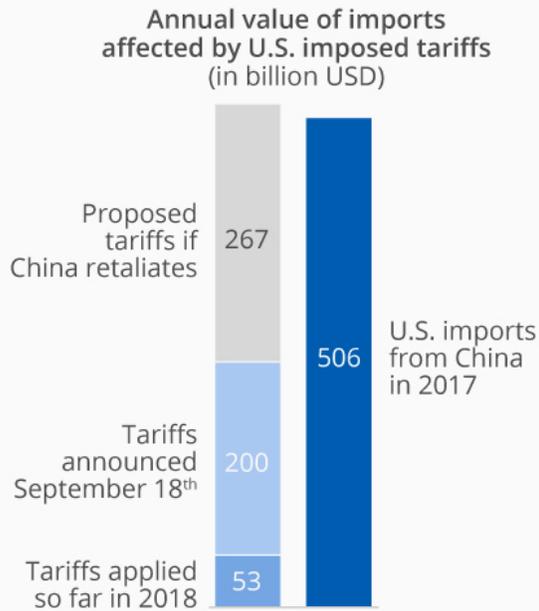
Document C: Currency Wars, Retrieved from: <https://images.app.goo.gl/KhJAJbTssh6g8orz8>





Document D: US – China Trade Tariffs Are Reaching Their Limit, Retrieved from Statista.com

U.S. – China Trade Tariffs Are Reaching Their Limit



@StatistaCharts Source: US Census Bureau/BBC



Document E: US states at risk from trade war, Retrieved from:
<https://www.sailanmuslim.com/news/us-china-fire-first-shots-in-largest-trade-war-in-economic-history/>

