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A stronger dollar: What does it mean for Americans?

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A finance professor dissects what kind of impact a stronger dollar could have on the economy and consumers' pocketbooks.

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TESS VIGELAND: We mentioned the European debt crisis and one side effect of that has been a bump in the value of the U.S. dollar.

We asked [Chris Hughen](#) to help us with what that means. He's a professor of finance at the University of Denver's Daniels College of Business. Thanks for being here.

CHRIS HUGHEN: Thanks for having me.

VIGELAND: As we all as Americans look at what's happening in Europe, I suppose the only bright spot we could possibly see is that the dollar has somehow strengthened.

HUGHEN: Sure, when you see a stock market decline like we had last week, the dollar definitely is viewed as a safe haven. And we as Americans do pretty well, because the dollar goes up in value.

VIGELAND: So tell us what that means for us.

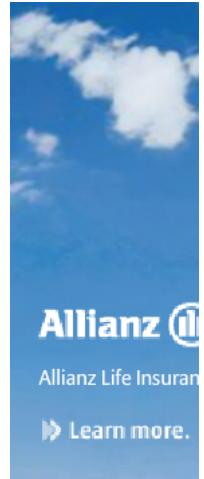
HUGHEN: It's so complex to understand, because there's a wide-ranging mixture of effects. If the dollar strengthens, of course, buying things from other countries becomes cheaper. But it also creates problems in other areas. One of the issues is that a lot of U.S. companies depend on foreign sales. And when the dollar goes up significantly in value, it makes these revenues and profits overseas actually less valuable.

VIGELAND: And I guess 7 percent over the last month or so, that's certainly not a significant rise, but it is something. Is there anyway for consumers to take advantage and how?

HUGHEN: I tend to view the dollar as actually being fairly weak right now, and for very good reason. The U.S. economy is close to dipping back into a recession. The Federal Reserve system has promised to hold interest rates near zero to 2013. And there isn't a lot of reason for people to buy the U.S. dollar except as sort of a safe haven. I think that the better question is what countries to avoid, as opposed to what countries to find value in. Because you've got a number of countries that have seen huge appreciations in their currencies: Brazil, Switzerland and Japan. They all have very strong currencies. And I think from the standpoint of the U.S. consumer, you have to be very wary of traveling to these

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Chris Hughen, professor of finance at the University of Denver's Daniels College of Business. (Courtesy of Chris Hughen)

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countries or buying goods from these countries. This is not the time to buy your high-end Swiss watch right now with the Swiss franc doing so well.

VIGELAND: Is there anywhere where perhaps the strengthening American dollar could do you a favor?

HUGHEN: Germany is, of course, one of the major countries in the eurozone. They have the euro, the euro has been beat down some what because of the crisis and Germany actually seems relatively cheap, because their economy is doing very well and their real estate prices are relatively cheap right now, compared to other countries in Europe.

If you look at the major currencies right now, the U.S. dollar is one, the Japanese yen is another and the euro is the third one. What's kind of interesting right now is that these are all ugly dogs right now. And the U.S. dollar actually looks relatively good, even though we have such a weak economy, because of the situation in Japan. They're trying to recover from...

VIGELAND: The tsunami.

HUGHEN: Exactly, the tsunami and the situation in Greece as well is holding down the euro. So relatively speaking, the dollar looks pretty good.

VIGELAND: Good bit of news for a change. Dr. Chris Hughen is professor of finance at the University of Denver's Daniels College of Business. Thanks so much.

HUGHEN: Thank you.

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S Austin

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The terms "strong" and "weak" that continue to be used to describe the relative values of currencies continue to be misleading. A falling dollar helps us break our dependence on cheap imported goods, which in the long run could bring manufacturing jobs back to the US. Doesn't that sound like making our economy "strong" again? Imagine if Wal-Mart were full of goods made in the US, and that you and your neighbors all had steady jobs. Sounds like "strength" to me!

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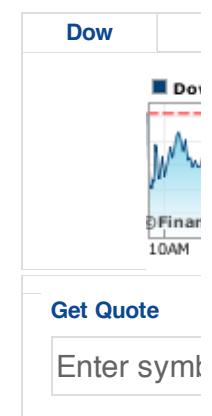
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