

Writers: City courts press coverage

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ding on the river. "One of the great benefits of revitalization is getting people out of their cars," she said. "If you can get people out of their cars and get them walking around, you're going to have more involvement and interaction."

"That's what gives a city its energy," she said.

Ms. Cross said the only change she might make downtown would be to add more Frazier Avenue-style retail.

"It's not a huge deficit, because you've got Frazier" just across the river, she said. "Retail is great because it gives people another reason to live and work (downtown) and makes it more walkable."

Amy Eckert, a Michigan-based freelance journalist whose stories have appeared in Fodor's travel publications, said her visit

to Chattanooga was the result of prodding by her peers.

"It wasn't a city I'd ever had a great interest in visiting, but I heard so many of my colleagues telling me what a great city it was," she said. "I heard so much, I decided to visit."

Ms. Eckert, who said she was focused primarily on the arts, said she liked the Hunter Museum of American Art and the public art on First Avenue.

"I was also impressed with the variety of attractions in the area," she said. "There are great historic sites, family activities and the arts all accessible within a very short drive of downtown."

"That's really a big plus for travelers," said Ms. Eckert, who said she plans to submit her story on Chattanooga to various arts periodicals.

Mr. Doak said the bureau also makes an "ongoing effort" to woo meeting planners.

"They're decision makers," he said. "They influence where meetings are held."

"If we can get (a planner) to town to see what this community has to offer, it gives us a competitive advantage," he said.

Kurt Jarvis, interim director of the Colorado-based International Network of Christian Ministries, said his expectations of Chattanooga, a "second-tier city," were low, based on his 1999 visit to Nashville.

"But I was overwhelmingly impressed with the resources for handling groups," he said. "I feel there's a gem here that I've discovered."

"You could have a conference here for (children of) any age level. There's a wide variety of activities, and it's really a warm, friendly area. People here have reminded us that it's safe to walk at night," he said.

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From left: Alinda Richards, Business Banking; Bobby Lusk, Corporate Banking; Terri Lane, Business Banking

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Dollar: World's growing uneasiness

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al foreign exchange transactions, equal to about \$1.3 trillion a day. In part, the widespread use of the dollar reflects its substantial international role as "investment" currency in many capital markets, "reserve" currency held by many central banks, "transaction" currency in many international commodity markets, "invoice" currency in many contracts, and "intervention" currency employed by monetary authorities in market operations to influence their own exchange rates.

A strong dollar cheapens the price of foreign goods, services, stocks and bonds for American consumers, investors and manufacturers. U.S. exports, however, become more costly to foreigners, making it difficult for American firms to sell abroad.

A weak dollar, on the other hand, draws in the tourists in droves for shopping sprees. However, American consumers can buy fewer foreign products, and imports cost more, potentially driving up the cost of production and leading to inflation pressures in the economy.

A weak dollar, however, enables U.S. companies to hire more workers to meet growing demand for their goods from foreign customers, whose exchange rates let them buy more from the United States for less.

TWIN DEFICITS

The American economy long has been the engine of growth for the world economy. Other countries benefit from sending their goods to eager American buyers, and the United States in turn sends massive amounts of dollars abroad to pay for those goods.

As a consequence, the United States has a large and expanding trade deficit, which means that imports far outweigh our exports. This causes the value of the dollar to fall, simply because of the overabundance of dollars supplied to the global market.

The much talked-about current account deficit, a broader measure of the trade deficit, was estimated to be about \$650 billion in 2004 or about 5.6 percent of the U.S. gross domestic product. To put this in perspective, the deficit in December 2004 alone was larger than the deficit for all of 1992.

A trade deficit represents a trade surplus for the nations trading partners. It represents debt owed to the rest of the world.

Much of this debt is held by foreign entities in the form of U.S. financial securities. With their export earnings, foreigners have bought over \$1.8 trillion in corporate bonds and over \$1.5 trillion in U.S. government assets. With the world's largest trade deficit, the United States is also the world's largest debtor nation. The country must attract on average \$2 billion dollars per day in foreign capital to sustain the current trade deficit. No wonder investors such as Warren Buffet have started shorting the dollar and predicted its further decline.

Also contributing to the dollar's decline is the large and growing federal budget deficit. By recent estimates, the 2005 deficit will be about \$400 billion, 4 percent of GDP.

Is the dollar losing its luster? Currently, more than half of all U.S. dollars held outside banks circulate abroad. Many countries are de facto dollarized. The dollar's special role as the dominant international currency has immunized the economy from many economic hardships such as high interest rates, falling



THE ASSOCIATED PRESS

A pile of dollar-linked Chinese yuan sits on a counter in a bank in Beijing. China has made clear its determination to set its own timing and course for currency reforms.

ECONOMICS STUDENTS PROVIDE RESEARCH

These four UTC students provided research that is the basis for this abridged analysis.



Adam Jones John Baldwin Jennifer Chastain Sarah Stevens

asset values, inflation and recession.

Still, the signs are that foreign investors are getting less enamored of the dollar. A recent survey by Central Bank Publications found that two-thirds of central banks, excluding Japan and China, were moving away from dollars toward euros. Compared to 25 years ago, the dollar's share in global foreign exchange reserves has dropped from 80 percent to 65 percent.

The euro zone, formed in 1999, is now an economy that parallels the United States in size and share of world trade, with financial markets that are almost as broad and liquid. Moreover, the euro zone is a net creditor while the United States is a net debtor. This has given global investors an alternative to the United States and the dollar.

HARD LANDING?

The Economist magazine points out that if the dollar falls another 30 percent to about \$1.70 per euro, it would amount to the biggest default in history: not a conventional default on debt service, but default by stealth, wiping trillions off the value of foreigners' dollar assets.

This scenario, however, is unlikely. Foreign investors are attracted to American assets because even today they earn a higher return in the United States than elsewhere in the world. Many Asian governments, for instance, buy Treasury securities to "defend" their currency peg to the dollar and prevent their currencies from rising in value. This, in turn, promotes export-led growth.

By the end of 2004, Japan, China and Korea had accumulated about \$1.7 trillion in reserves which they have used to effectively to support the dollar. A sell-off of dollars could hurt these sellers more.

As the economic, military and financial center of the world, with a highly skilled and flexible labor force, the United States possesses the highest line of credit of any nation in the world. The dollar, in its role as the international reserve currency, has shielded Americans from significant economic damage.

It has made the domestic economy less vulnerable to changes in the value of its currency compared to other economies. But consumers and investors need to be wary of currency market developments. In Fed Chairman Alan Greenspan's words, "the penchant of humans for quirky, often irrational behavior gets in the way" of seamless economic transitions.

A hard landing is unlikely. However, the status quo is being threatened as alternatives to the dollar emerge and global investors begin to look elsewhere for value and safety. The dollar may be America's currency, but it is the world's problem.

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