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New Book Explains the Microeconomic Foundations—as well as the Macroeconomic causes—of the Persistent U.S. Trade Deficit 25-Plus-Years after the U.S. Dollar's Steep Depreciation That Began in 1985

The Persistence of the U.S. Trade Deficit: An Open-Economy Macroeconomic Analysis with Microeconomic Foundations (2012) [ISBN 978-0-9844919-1-9; LCCN 2012912695] by Peter C. Dawson, PhD, offers students of International Economics understandable explanations of the causes of the lingering—and growing—U.S. trade deficit so long after the U.S. dollar began losing value in 1985. The U.S. trade position was roughly in balance in 1980, and then the U.S. dollar appreciated dramatically from 1980 through February 1985. But, when the dollar returned to its 1980 level circa 1987—which should have restored the price competitiveness of U.S. firms in world markets—the U.S. trade balance remained in a sizable deficit. The U.S. dollar continued to depreciate below its 1980 level, and remains that low today. The important question for U.S. policymakers (and for scholars who wish to provide answers to guide policymakers in their task of correcting the U.S. trade deficit) is: Why has the U.S. trade deficit not responded to the depreciated U.S. dollar, which should have restored the price competitiveness of U.S. exporters (thus increasing U.S. exports) while making U.S. imports more expensive (thus reducing U.S. imports)?

This is an academic text in *International Economics*, which adopts an open-economy macroeconomic (general equilibrium) model that incorporates microeconomic foundations. The original context is the U.S. trade deficit in the latter half of the 1980s and into the early 1990s, which continued to remain in a sizable deficit even after the U.S. dollar's large and steady depreciation that began in February 1985. Its analysis and message continue to be relevant to trade deficit discussions today, since many of the underlying causes of its persistence then continue to be fundamental to its persistence today. A major contribution is the synthesis of microeconomic and macroeconomic causes of the persistent U.S. trade deficit into a general equilibrium open-economy macroeconomic model. Its intended audience is students and researchers in *International Trade* and *International Finance* (i.e., Open-Economy Macroeconomics), but it should be accessible to a broad readership (e.g., the layperson may skip the mathematical calculations and focus on the written explanations without sacrificing his/her understanding of the book). The book considers the importance of a strategically-designed and well-implemented foreign trade policy on a national level. Perhaps an unspoken but prevailing view among U.S. observers is the recognition that various means of trade promotion on the part of U.S. trading partners, but in the absence of similar or counterbalancing trade promotion on the part of the U.S., underlies the continued persistence of the U.S. trade deficit. The absence of a formal, strategic U.S. trade policy may have led to a fundamental shift in the U.S.'s relative competitive position in world markets. A strategic trade policy need not be protectionist in nature, but rather it can be a means for U.S. trade promotion.

This book will be available at your local and online bookstores throughout the world in August 2012.