



PIIE PETERSON INSTITUTE FOR
INTERNATIONAL ECONOMICS

Floating Exchange Rates at Fifty

Adam Posen

Peterson Institute for International Economics

March 23, 2023

1750 Massachusetts Avenue, NW | Washington, DC 20036 | www.piie.com



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What was all the fuss about?

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1973

"All the News That's Fit to Print"

The New York Times

LATE CITY EDITION

Weather: Sunny, cold today; fair tonight. Cloudy, cold tomorrow. Temp. range: today 13-31; Monday 8-34. Full U.S. report on Page 12.

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NEW YORK, TUESDAY, FEBRUARY 13, 1973

15 CENTS

U.S. ORDERS DOLLAR DEVALUED 10 PER CENT; JAPANESE YEN WILL BE ALLOWED TO FLOAT; NIXON TO SUBMIT TRADE PLAN TO CONGRESS

First Prisoner Release Completed TOKYO TALKS SET

142 Men Seem In Reasonably Good Health

By JAMES F. STERBA
Special to The New York Times
CLARK AIR BASE, the Philippines, Tuesday, Feb. 13 — The first released American prisoners of the Vietnam war were greeted with cheers of welcome and tears of joy here yesterday as they stepped off military evacuation jets. They looked in better physical condition than most onlookers had expected, and the hospital commander here pronounced their general health "reasonably good."

The last of four evacuation planes touched down here at 11 P.M. (10 A.M. Monday, New York time), carrying 19 military men and seven civilians released in South Vietnam. Three other planes, carrying 116 prisoners retained in Hanoi, had arrived yesterday afternoon.

The first prisoner to step onto the red carpet was Capt. Jeremiah A. Denton of the Navy, the ranking officer aboard the first plane back from Hanoi. Captain Denton, in captivity for nearly eight years, stepped to a microphone and said:

"We are honored to have the opportunity to serve our country under difficult circumstances. We are profoundly grateful to our Commanders in



Air Force Capt. David E. Baker of Huntington, L.I., being carried on a stretcher from the jet plane that took him from Saigon to Clark Air Base. He was released at Lee Ninh.

Long Wait Is Ended for 27, Set Free in South Vietnam

COURT AUTHORIZES AIRPORT GUARDS

Money Mart to Open — Limited Support Will Continue

By RICHARD HALLORAN
Special to The New York Times
TOKYO, Tuesday, Feb. 13 — Government sources said today that the Tokyo foreign exchange would be reopened Wednesday and that the yen would float to find its own level in trading.
The sources said that Premier Kakuei Tanaka's Cabinet would meet later today to give its approval to the decision and that a formal announcement would come this evening.
They added that Japan had been waiting for the United States to make its announcement that it would devalue the dollar before any action was taken here.

Controls Are Seen
The floating of the yen—that is, freeing it from international agreements that the Bank of Japan would maintain the currency's value within specified upper and lower limits—was reportedly to be a controlled one. That is, the Bank of Japan would continue to buy dollars so that the value of the yen would tend to drift up rather than jump in value.
Earlier this morning, Premier Tanaka indicated that the decision was forthcoming when he told Japanese newsmen that



George P. Shultz at news conference in the Treasury

Questions and Answers On Dollar Devaluation

By JOHN H. ALLAN
International currency turmoil once again poses a number of questions. Here are some of the answers.
Q. What is a devaluation?
A. A nation's currency is made cheaper in relation to currencies of other countries. In the case of the United States dollar, lowering its value means that an American buying other currencies will get less for his money, and foreign goods will cost more for American in-

GOLD TO BE \$42.22

Controls on Lending Abroad Also Will Be Phased Out

By EDWIN L. DALE Jr.
Special to The New York Times
WASHINGTON, Feb. 12 — The United States announced tonight a devaluation of the dollar by 10 per cent against nearly all of the world's major currencies.
The action was taken in an effort to halt the latest currency crisis, in which there has been a flight from the dol-

Text of the Shultz statement appears on Page 36.

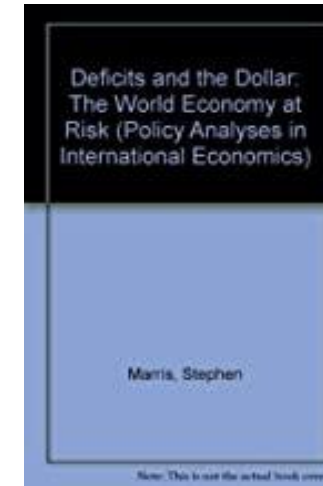
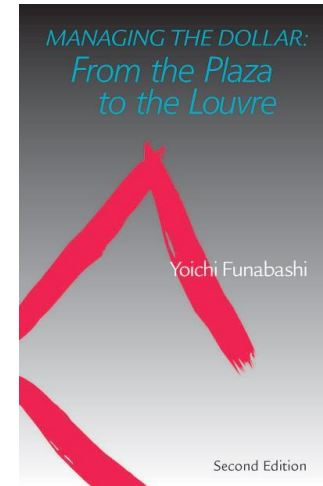
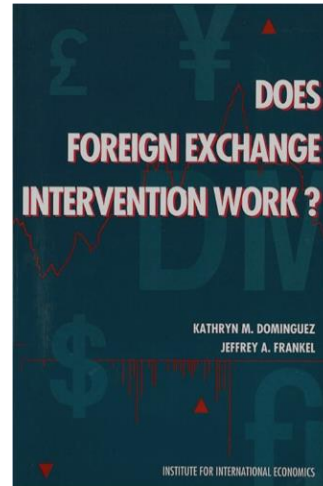
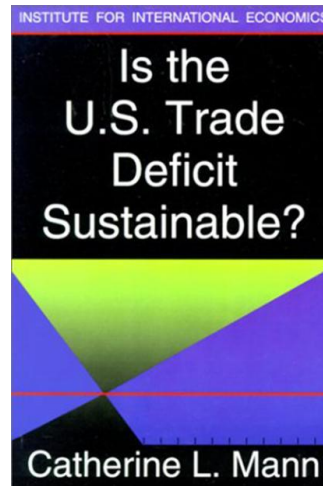
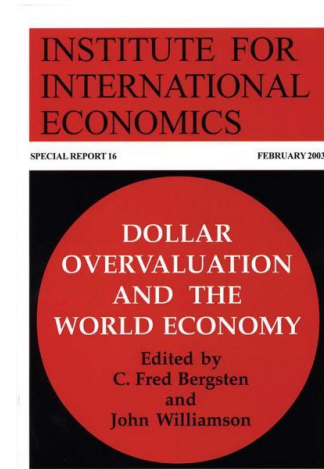
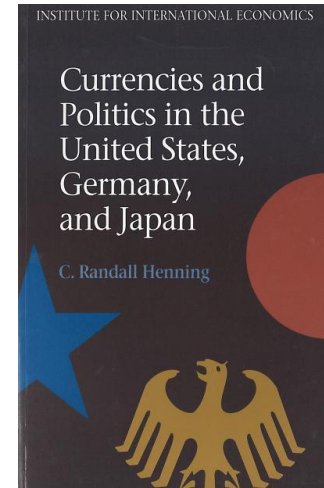
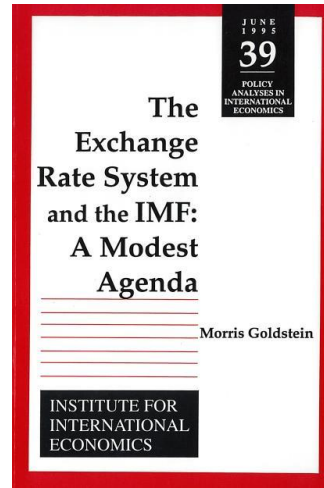
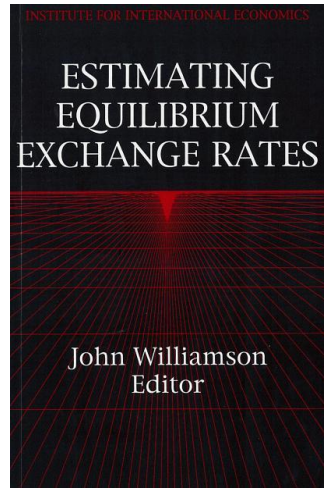
lar in international monetary markets.

The devaluation will be greater than 10 per cent against the Japanese yen, which will float upward in foreign-exchange trading for an indefinite period.

This is the second devaluation of the dollar in 14 months. Tonight's announcement by Secretary of the Treasury George P. Shultz contained two other elements:

"The President has decided to submit to Congress comprehensive trade legislation with the aim of lowering trade barriers but with unspecified provisions for 'safeguards' against disruption of domestic indus-

1981-99



Today

TOPICS

PIIE's renowned scholars explore and analyze a broad range of economic topics and issues, including globalization, economic and growth prospects, finance, political economy, and trade and investment, as well as economic challenges facing individual regions and countries.

AREAS OF EXPERTISE >

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Labor

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Sanctions

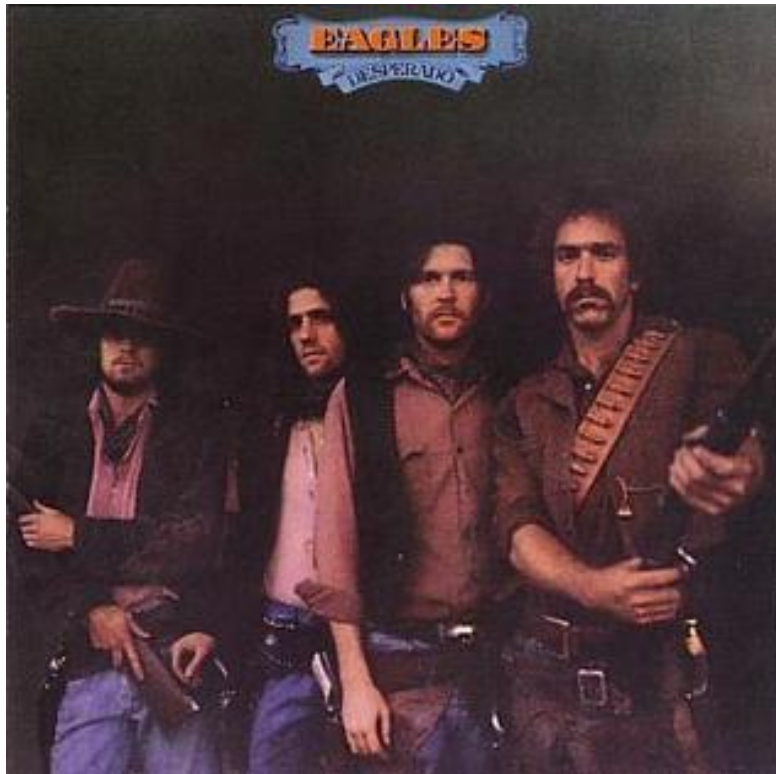
Technology

Trade & Investment

World Trade Organization

Neither 'Dollar' nor 'Exchange Rates' are a top topic on www.piie.com

Released April 17, 1973
Desperado



Wisdom from the Eagles
*(who were really big
50 years ago)*

Don't you draw the queen of
diamonds, boy
She'll beat you if she's
able...

And freedom, oh, freedom
Well, that's just some
people talking
Your prison is walking
through this world all alone.

In other words, after fifty years of floating exchange rates, can we do any better?

We will spend the next day and a half trying to figure that out