

# From There to Here:

## Expectations and 2023 Reality

### Floating Exchange Rates at Fifty

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Senior Fellow

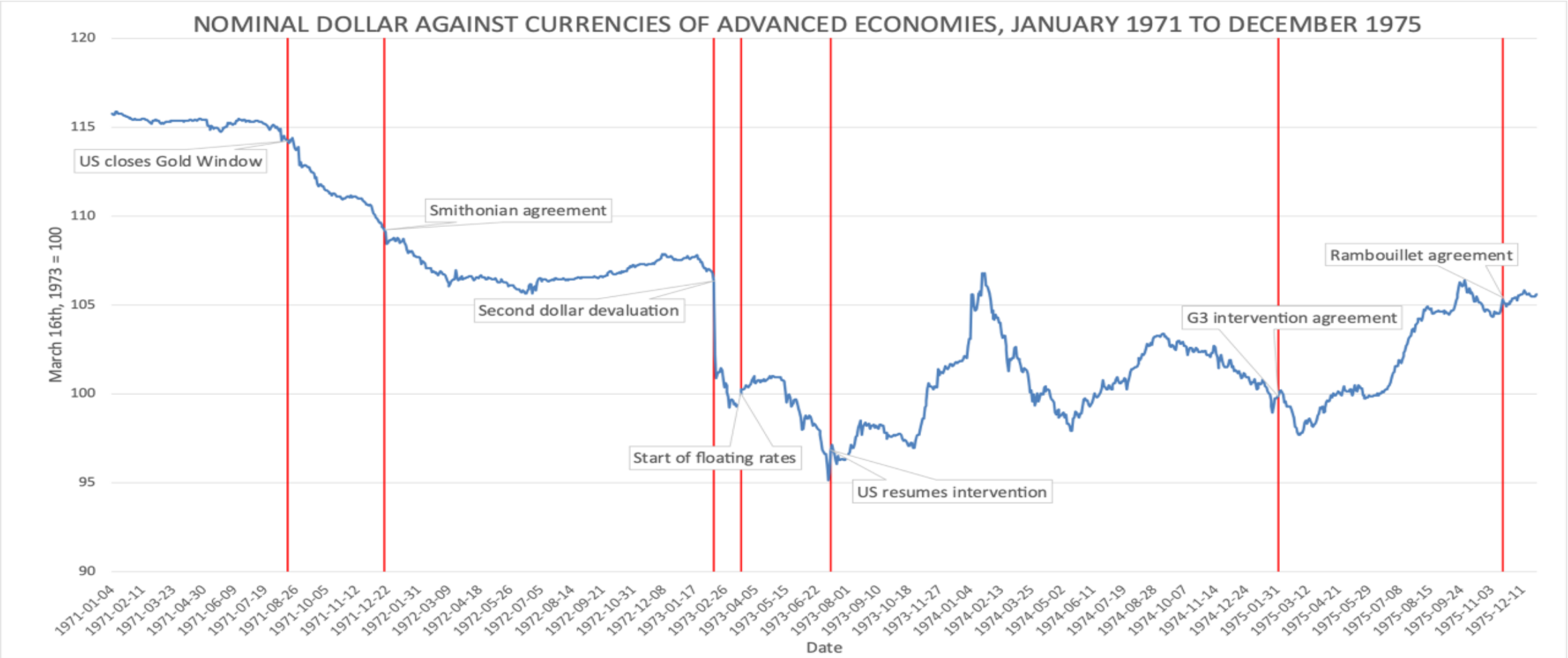
March 23, 2023



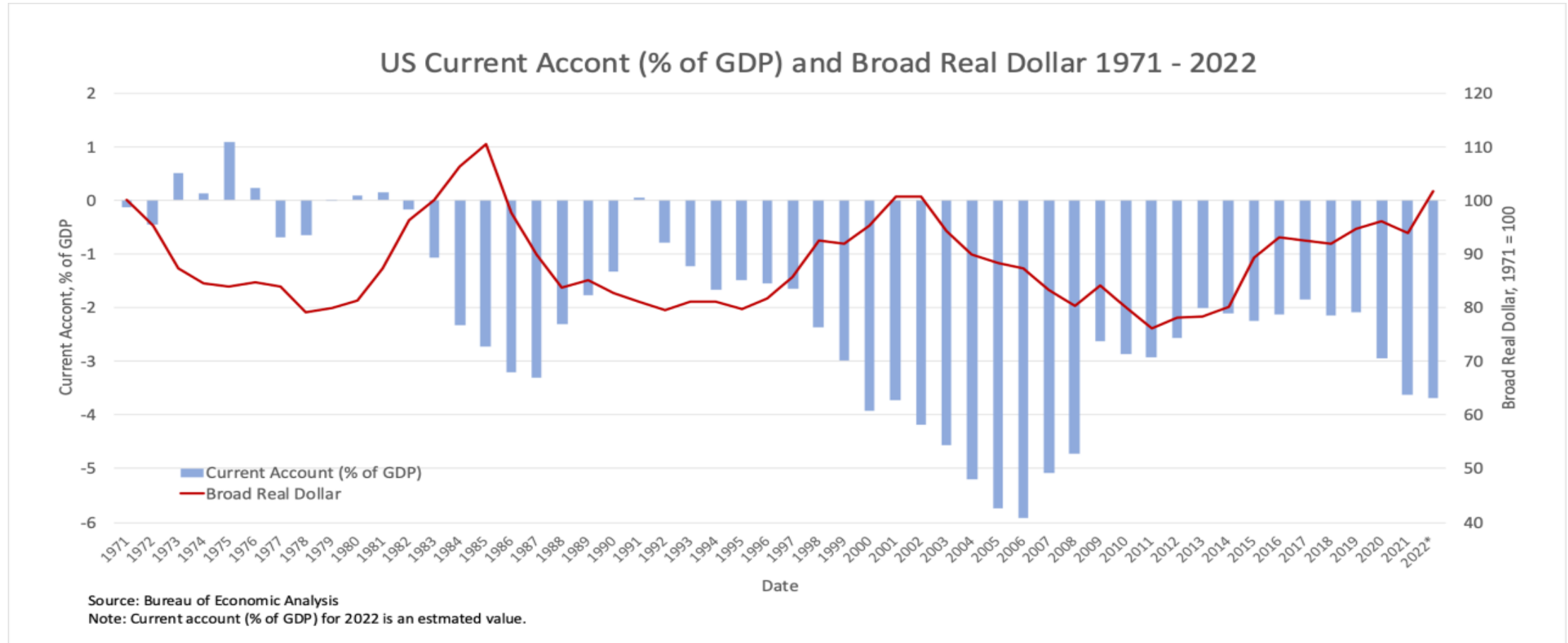
HARVARD Kennedy School

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# THE PATH TO FLOATING WAS LONG AND TORTUROUS



# THE DOLLAR AND THE US CURRENT ACCOUNT BALANCE



# WHERE WE WERE IN MARCH 1973?

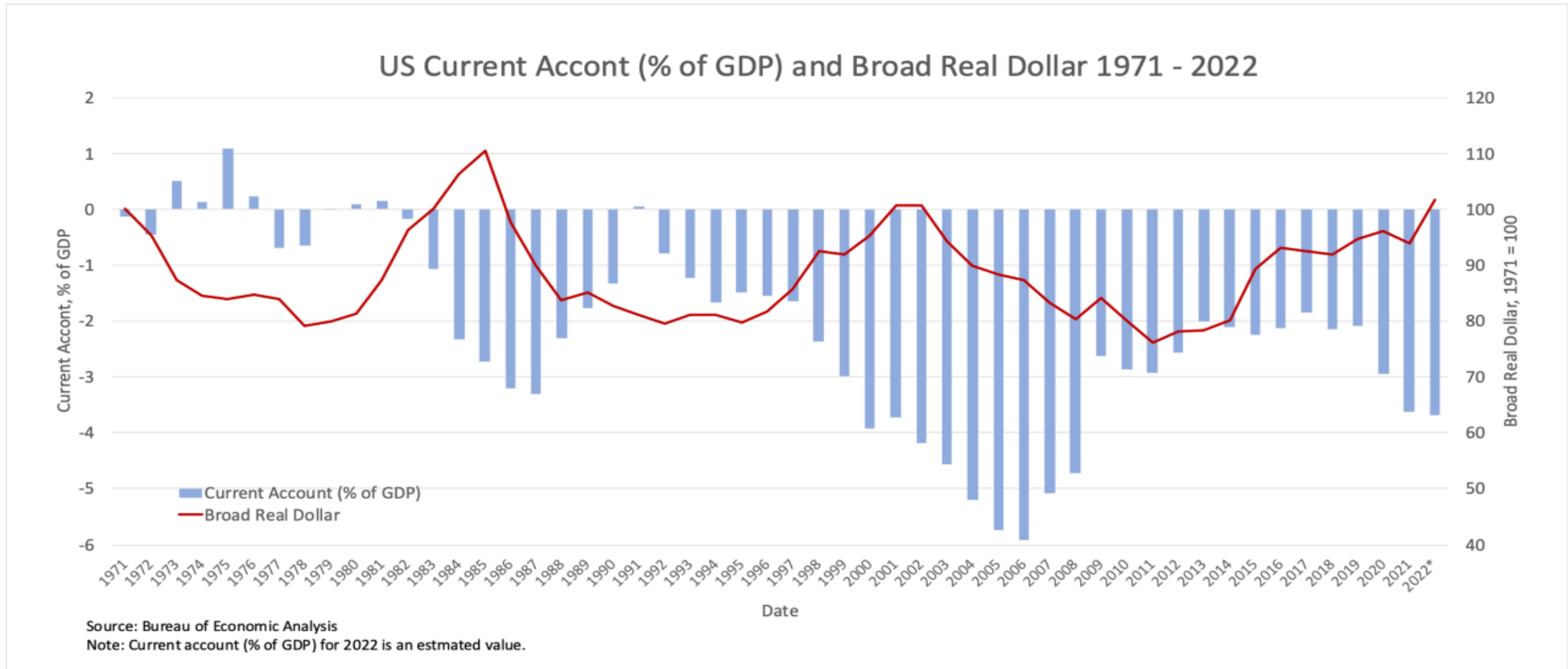
- Diverse views on the future of the exchange rate regime
- More questions than answers
- Would the regime be abused?
- It was not a “non-system”
  - The Bretton Woods **monetary** system survived
  - Based on two principles
    1. Cooperation
    2. Exchange rates are a matter of common concern

# THE 2023 REALITY

- Mixed exchange rate regime
- 25 years of passive US and European exchange rate policy
- The regime is not responsible for multiple crises
- The regime did not deliver on promises of some advocates
- Concerns about global imbalances have dramatically receded

Is that permanent?

# RETURN OF THE US CURRENT ACCOUNT CONCERNS?



**CONCLUSION**