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## Dollar's decline could hurt, help different sectors

By Tim Paradis

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NEW YORK — During the Great Depression, New York's ebullient Mayor Fiorello LaGuardia dubbed the popular marble lions that frame the steps of the city's main library Patience and Fortitude — a reference to the strengths the city's denizens would need to summon to survive the economic tumult.

Robert Brown, chief investment officer at Genworth Financial Asset Management, contends Americans will eventually need to call on those same attributes if the U.S. dollar continues to fall as he and many other analysts expect.

"The forces are so clear cut, so self-reinforcing," he said of the decline. "Nobody can figure out the timing."

While the economic shift would likely draw out some winners in the U.S. economy, such as companies that sell goods and services overseas, it would also likely sharply reduce America's purchasing power and cause seismic shifts in some sectors of the economy. For example, factories once deemed too expensive to operate in the United States might again turn out products such as clothing that would likely become expensive to import.

The dollar's decline has taken place over a period of years, but more recent pullbacks have tested historical benchmarks.

The dollar, which began to weaken broadly in early 2002, has fallen more than 50 percent from its October 2000 trading peak against the euro. It has recently come close to hitting its record low against the 13-nation currency and is near a 26-year low against the British pound.

Initially, the changes could appear mild, even pleasant. U.S. companies that sell overseas can reap big gains when they make sales in a stronger currency and then translate that back to dollars. This past week, International Business Machines Corp. said its first-quarter revenue rose 7 percent to \$22 billion.

However, without the benefit IBM enjoyed by converting foreign revenue to dollars, sales would have risen only 4 percent.

"It makes us more competitive in the goods we sell," said Axel Merk, noting one benefit of a declining dollar. However, he sees room for concern. His Merk Hard Currency Fund largely invests in currencies other than the dollar.

And, of course, a weaker dollar means travelers to the United States from places such as Europe would see "sale" signs everywhere they looked. Even those staying longer, such as foreign students, could find it less expensive to study in the United States.

"The falling dollar has been like a giant life-preserver for the U.S. travel industry," said Allen Kay, a spokesman for the Travel Industry Association. He said weakness in the number of foreigners traveling to the U.S. since the Sept. 11, 2001, attacks would have been much worse had it not been for a falling dollar.

"If you're trying to get more people to get here from Europe you can't ignore the fact that the U.S. is the best bargain it's been in years," Kay said.

Cheaper prices for U.S. assets could even help portions of the struggling housing market, said Quincy Krosby, chief investment strategist at The Hartford.

"I think this is going to accelerate foreign purchases of U.S. property," she said.

European buyers, she said, could, buy second homes in the United States in not only bustling cities but also, for example, near golf resorts.

Still, while some sectors of the economy might benefit from a flagging dollar, many observers expect the longer-term ramifications will pose difficulties for the U.S. economy.

"If you want to take over companies or if you want to expand it makes it harder," said Merk, adding that U.S. assets become less-expensive targets.

"You can't defend yourself. Your currency is worth less in an international arena and we're in a globalized world. You're going to be up for sale. All U.S. assets are up for sale," he said.

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