A Symposium of Views: Can Changes in Exchange Rate Valuations Affect Trade Imbalances?

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Senior International Trade/Tax Advisor Greg Mastel contributed to *The International Economy*'s Symposium of Views feature, where experts weighed in on economist Ronald McKinnon's new book, *The Unloved Dollar Standard: From Bretton Woods to the Rise of China*. Mr. McKinnon's main thesis is that the U.S.'s large trade deficit is a result of a major saving deficiency which is financed with a long dollar line of credit with the rest of the world.

Greg's response tackled China's "manipulation" of the renminbi exchange rate, and how it is important not to turn a blind eye to this when considering the cause of U.S. trade and economic imbalances with China. Greg writes, "Although there is a fundamental accounting relationship between U.S. high spending/low saving and the U.S. trade deficit, it is both politically and substantively unwise to focus only on those drivers that are comfortable and ignore others." He cites proof that China has purposefully not allowed the renminbi to appreciate, along with a web of policies aimed at keeping imports low and exports high, resulting in higher trade gains.