

# Letters

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## Delicate global outlook should dictate renminbi movements

Sir, One has to be taken aback by the timing of your editorial's recommendation that China should allow its currency to fall further ("Beijing faces up to its monetary trilemma", FT View, September 8) since it seems to disregard the present delicate state of global financial markets as well as the US political context in which such a move would be occurring.

China's surprise devaluation on August 11 is generally regarded as having triggered a \$5tn sell-off in global equities. It has also contributed to further sharp declines in international commodity prices and in emerging market currencies. This is now causing acute strains in major

emerging market economies that could constitute a significant headwind to the global economic recovery.

A further Chinese currency devaluation at this time is all too likely to raise additional questions about China's economic growth prospects as well as to lead to a further acceleration in Chinese capital outflows. There is every reason to believe that not only would this further unsettle global financial markets and put additional pressure on emerging market economies, but it would also heighten the prospect of a global currency war in the context of a weakening global economic recovery.

A Chinese devaluation at this time would also be ill-advised considering

the likely strains it would put on US-China relations ahead of next year's US presidential elections. It is all too probable that, irrespective of its merits, such a move would widely be seen in the US as yet another attempt by China to manipulate its currency for an unfair competitive advantage.

**Desmond Lachman**

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Sir, You recently advised China's leadership to look to history rather than continue to "[squander their] credibility on a doomed attempt to defy stock market gravity" (FT View, September 8). Your advice was sound,

especially in light of China's heightened stock market valuations of earlier this year.

However, when writing to my clients recently, I used another historical example to illustrate the point, namely, the tale of King Canute.

"Free markets exert an invisible economic force that pulls markets much like the moon's gravity creates the earth's tides. And any mere mortal's efforts to simply wish away the irresistible forces of markets will prove as fruitless as ordering the tide to recede."

**Michael P McCloskey**

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