

**REUNIÃO DE CONJUNTURA**

**16/04/2018**

**Artigos de Conjuntura Global**

The Central-Bank Song Remains the Same (Paola Subacchi – 10/04/2018) .....	1
Can a Trade War be Averted? (Barry Eichengreen – 10/04/2018) .....	3
US-China rivalry will shape the 21st century (Martin Wolf – 10/04/2018).....	4
Xi's Strong Hand Against Trump (Bill Emmott – 11/04/2018).....	7
How Inequality Fueled the Euro Crisis (Benedicta Marzinotto – 09/04/2018) .....	8
Italian Politics and Europe's Future (Jeffrey D. Sachs – 09/04/2018) .....	10
What's Been Stopping the Left? (Dani Rodrik – 10/04/2018).....	13



## **The Central-Bank Song Remains the Same (Paola Subacchi – 10/04/2018)**

Paola Subacchi is a senior fellow at Chatham House and visiting professor at the University of Bologna. She is the author, most recently, of *The People's Money: How China Is Building a Global Currency*.

\* \* \*

The changing of the guard that is taking place at the systemically important central banks in 2018-2019 will mark the beginning of a new era of monetary policy. Who is likely to lead this transition to a “new normal”? More important, just how new will it really be?

In the decade since the global financial crisis, advanced-country central banks have adopted unprecedentedly active monetary policies. The Bank of Japan’s Haruhiko Kuroda and the European Central Bank’s Mario Draghi maintain such policies to this day, in order to stimulate economic activity and counter deflationary pressures. By contrast, the US Federal Reserve, beginning under former Chair Janet Yellen, and the Bank of England, under Mark Carney, have been laying the groundwork for policy “normalization.”

Another systemically important central bank, the People’s Bank of China, has focused not on monetary expansion, but on financial reform. Former PBOC Governor Zhou Xiaochuan built a strong reputation domestically and, perhaps more so, internationally during his record-setting 15-year tenure, owing to his gradual, steady, and effective approach. Although the PBOC’s lack of official independence means that his authority to set interest rates was constrained by the advice of the 15-member Monetary Policy Committee, this did not affect Zhou’s ability to put in place the foundations of a financial sector befitting the world’s largest economy.

Yet, even as central banks face important transitions, the choices of their new leaders have reflected a desire for continuity. Most obvious, Kuroda has been confirmed for another five-year term at the BOJ, and Zhou was replaced in March by his own deputy governor, Yi Gang. Even Yellen’s successor, Jerome Powell, will probably amount to more of the same.

Of course, Powell was initially presented as a break from the past. After all, if President Donald Trump had wanted to remain on the same path, he would have just selected Yellen for a second term (which would have been more in line with tradition). But, in Trump’s view, the Democrat Yellen was a vestige of Barack Obama’s administration, and thus had to be replaced with a declared Republican like Powell. But both Powell and Yellen are Fed veterans, and seem to be following the same normalization path.

In Europe, the changes brought by the new governors are likely to be more significant. At the BoE, Carney – who announced in November 2016 his intention to cut short his term – will remain in the job until a few months after the United Kingdom’s exit from the European Union in March 2019, in order to minimize any market disruption.

But Carney's replacement is likely to represent a significant departure. Despite his impeccable track record as the governor of Canada's central bank, Carney's appointment was controversial: he has always been perceived as too close to the previous chancellor of the exchequer, George Osborne, and insufficiently sympathetic to Brexiteers. Carney's successor will thus have to be congenial, if not amenable, to Brexit's champions.

In a sense, however, Carney's replacement will amount to the restoration of the status quo. After all, when Carney was "imported," he was disrupting the tradition of in-house appointments – a tradition that will be revitalized if, as seems likely, one of the BoE's current deputy governors is named as his replacement.

Perhaps the most profound shift will happen at the ECB, where four top posts will need to be filled by the end of next year. The recent nomination of former Spanish economy minister Luis de Guindos to serve as ECB vice president offers some clues regarding what to expect.

In particular, the choice of a Spanish vice president (which in Guindos's case represents a break with the tradition – intended to protect central-bank independence – of not appointing politicians) suggests that the next president will come from the northern eurozone. Of the eurozone's three largest economies, only Germany has never held the presidency. If the presidency goes to a German, that German will most likely be Bundesbank President Jens Weidmann.

A monetary hawk, Weidmann will struggle to win southern countries' support. Moreover, his nomination will trigger the resignation of another German, Sabine Lautenschläger, the only woman on the ECB's executive board. The prospect of an exclusively male board – not to mention the fact that no woman was even short-listed for the presidency – will not go down well with the European Parliament.

The European Parliament's preference for greater gender parity is surely welcome, though it is probably based more on a desire to avoid criticism than a genuine commitment to diversity. And, in fact, with their selections for the top jobs, all central banks are failing in this respect, even though diversity is now viewed, in many institutional contexts, as an indicator of good performance. In short, central-bank leadership remains an "old boys' club."

As we enter a new era for monetary policy, we should be seeking to overhaul central-bank leadership in a more fundamental way. The lack of diversity among candidates for the top jobs suggests that the selection process is far too narrow and inward-looking. Central banks ought to be cultivating younger people, women, and minorities, in order to broaden the range of approaches, skills, perspectives, and expertise that effective monetary policymaking will require in the future.

Real change eventually will come. But for now, in terms of both policy and personnel, it's mostly old wine in familiar bottles.

---

**Fonte:** SUBACCHI, Paola. The Central-Bank Song Remains the Same. Disponível em: <<https://www.project-syndicate.org/commentary/central-bank-leadership-no-diversity-by-paola-subacchi-2018-04> > Acesso em 12 de Abril de 2018.

## **Can a Trade War be Averted? (Barry Eichengreen – 10/04/2018)**

Barry Eichengreen is Professor of Economics at the University of California, Berkeley, and a former senior policy adviser at the International Monetary Fund. His latest book is *The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era*.

\* \* \*

Probably the question most frequently asked of international economists these days is: “Are we seeing the start of a trade war?” This is not a question that admits of a simple yes-or-no answer. In contrast to a shooting war, there’s no government declaration to mark the official outbreak of hostilities. Tariffs have been raised and lowered throughout history, for reasons both good and bad.

Even when the reasons are bad, moreover, tariff increases do not always provoke foreign retaliation. There was no retaliation, for example, when President Richard Nixon imposed a 10% across-the-board import surcharge in 1971, arguably in violation of both the General Agreement on Tariffs and Trade (the forerunner to the World Trade Organization) and United States law.

But there’s always the danger of events spiraling out of control. China has clearly indicated its intention of responding to US actions, raising the risk of escalation by an erratic US leader. President Donald Trump’s threat on April 5 to impose tariffs on an additional \$100 billion of Chinese exports, provoked by China’s response to his own earlier action, points to just this threat of escalation.

That said, there are still reasons to hope that sanity will prevail. First, Trump has been forced to nuance some of his earlier actions. He exempted Argentina, Australia, Brazil, Canada, the European Union, Mexico, and South Korea from his steel and aluminum tariffs, minimizing the impact on those countries and also on domestic metal-using industries. Foreign governments and domestic businesses objected to the initial across-the-board tariff, and so did the stock market, through its negative reaction. The market will exercise a moderating influence on the president, if anything can.

Second, China’s response so far has been carefully calibrated, in each case almost exactly matching the breadth of US action. Doing less would have been seen as lying down in the face of US provocation. Doing more would have been seen as a dangerous escalation.

Some say that China’s leaders have no choice but to exercise restraint. Because it runs a surplus with the US, China stands to lose if bilateral trade grinds to a halt. But that’s like saying that one country stands to lose more than another in an exchange of nuclear weapons.

In fact, Chinese policymakers have broader motives. Because China has a higher export-to-GDP ratio than the US, they are more concerned with preserving the global trading system; by eschewing escalation, China avoids jeopardizing it. And by appealing to

the WTO, it positions itself as a champion of free and open trade. It demonstrates constructive leadership of the multilateral system. To the extent that other countries rely on China for preserving the trading system, they are correspondingly less likely to object to China's other strategic initiatives, in the South China Sea and elsewhere.

Now comes the hard part. On April 3, the Trump administration announced its intention to impose tariffs on \$50 billion of Chinese exports, in response to industrial espionage, licensing, and other intellectual-property concerns. Obviously, these trade actions are much larger and more dangerous than those affecting \$3 billion of Chinese aluminum and steel.

The irony is that US intellectual-property concerns are valid. But neither those concerns nor Chinese retaliation will win the US any sympathy, because the administration's latest action comes on the heels of bogus US steel and aluminum tariffs, trumped up, as it were, on national security grounds. This sequencing and reckless use of the tariff instrument encourage observers to dismiss even valid concerns as fake news.

Is it still possible to avoid the worst? The soonest the administration's \$50 billion of proposed tariffs can come into effect is at the end of a 60-day comment period. This gives foreign governments, business, and the stock market time to push back.

Feeling the heat, the Trump administration could choose to nuance its intellectual-property policy, just as it nuanced its steel and aluminum measures. Rather than imposing sweeping tariffs, it could tailor its actions to the intellectual-property dispute. It could use the Committee on Foreign Investment in the United States to reject bids by Chinese companies in specific sectors where the U.S. possesses valuable intellectual property. It could pursue its complaints through the WTO. Those who question whether the administration has any inclination of going this route should note that it did, in fact, file a WTO complaint against Chinese technology licensing practices in March.

For its part, China should maintain its calm and steady hand. But it should also show a willingness to address valid US concerns when the US takes a WTO-based approach to pursuing them – for example, by relaxing its joint-venture rules and strengthening its intellectual-property protections. For those still hoping against hope, the good news is that, behind the scenes, the US and China are still talking.

---

**Fonte:** EICHENGREEN, Barry. Can a Trade War be Averted? Disponível em: <<https://www.project-syndicate.org/commentary/averting-trump-trade-war-by-barry-eichengreen-2018-04>> Acesso em 12 de Abril de 2018.

## **US-China rivalry will shape the 21st century (Martin Wolf – 10/04/2018)**

Martin Wolf is chief economics commentator at the Financial Times, London. He was awarded the CBE (Commander of the British Empire) in 2000 “for services to financial journalism”.

\* \* \*

China is an emerging superpower. The US is the incumbent. The potential for destructive clashes between the two giants seems potentially unbounded. Yet the two are also intimately intertwined. If they fail to maintain reasonably co-operative relationships they have the capacity to wreak havoc not only upon each other, but upon the entire world.

China is a rival of the US on two dimensions: power and ideology. This combination of attributes might remind one of the clash with the Axis powers during the second world war or the cold war against the Soviet Union. China is of course very different. But it is also potentially far more potent.

China's rising power, economic and political, is evident. According to the IMF, its gross domestic product per head in 2017 was 14 per cent of US levels at market prices and 28 per cent at purchasing power parity, up from 3 per cent and 8 per cent, respectively, in 2000

Yet, since China's population is more than four times as big as that of the US, its GDP in 2017 was 62 per cent of US levels at market prices and 119 per cent at PPP.

Assume that by 2040, China achieves a relative GDP per head of 34 per cent at market prices and 50 per cent at PPP. This would imply a dramatic slowdown of the rate it is catching up (a fall of around 70 per cent from the rate since 2000, starting in 2023). China's economy would then be almost twice as big as that of the US at PPP and almost 30 per cent larger at market prices.

The 34 per cent benchmark I have chosen is that of today's Portugal. It is hard to imagine that China, with its vast savings, motivated population, huge markets and sheer determination could not achieve the relative prosperity of Portugal. This would still leave it far poorer, relative to the US, than Japan or South Korea — the fast-growing east Asian economies of the past.

Size matters. It is quite unlikely that China's overall economy will not end up far bigger than that of the US, even if, on average, individual Americans remain far more prosperous than individual Chinese. China is also already a more important export market than the US for many significant countries, particularly in east Asia.

Moreover, China is spending almost as big a share of GDP on research and development as leading high-income countries. This is a driver of Chinese innovation, which I recently saw at a visit to Alibaba's headquarters in Hangzhou. Moreover, the combination of economic size with improving technology is making China an increasingly formidable military power. The US may complain about this. But it has no moral right to do so. Self-defence is a universally accepted right of nations.

So is the right to develop. The US can huff and puff about Chinese theft of intellectual property. But every catch-up nation, very much including the US in the 19th century, seized the ideas of others and built upon them.

The idea that intellectual property is sacrosanct is also wrong. It is innovation that is sacrosanct. Intellectual property rights both help and hurt that effort. A balance has to be struck between rights that are too tight and too loose. The US can try to protect its intellectual property. But any idea that it is entitled (or indeed able) to prevent China from innovating its way to prosperity is mad.

China is also an ideological challenger of the US, on two dimensions. It has what might be called a planned market economy. It also has an undemocratic political system. Unfortunately, recent failures of free market high-income economies have increased the lustre of the former. The election of Donald Trump, an admirer of despotism, has strengthened the appeal of the latter.

The US, one would once have said, also has the benefit of powerful and committed allies. Unfortunately, Mr Trump is waging economic war upon them. If a decision to attack North Korea led to the devastation of Seoul and Tokyo, US military alliances would be over. An alliance cannot also be a suicide pact.

Managing the competition between these two superpowers is going to be difficult. Graham Allison of Harvard is fatalistic in his *Destined For War*: conflict between the incumbent and rising power is almost inevitable. A hot war among nuclear powers might seem relatively unlikely.

But large-scale friction and so an end to necessary co-operation over economic relations seems probable. It is unclear how to resolve today's conflicts over trade. Co-operation over managing the global commons has already collapsed, given the Trump administration's rejection of the very idea of climate change.

China's future is up to China. But the west's relations with China are up to it. The US is right to insist that China abide by its commitments. But then so must the US and the rest of the west. China is not going to feel compelled to abide by agreed rules when pressed by any country that treats these rules with contempt. China is, in any case, not the real threat. That relationship can surely be managed.

The threat is the decadence of the west, very much including the US — the prevalence of rent extraction as a way of economic life, the indifference to the fate of much of its citizenry, the corrupting role of money in politics, the indifference to the truth, and the sacrifice of long-term investment to private and public consumption.

It is indeed a tragedy that the best way we could find to escape from a financial crisis was via monetary policies that risked promoting new bubbles. We could be better than this.

The west can and must live with a rising China. But it should do so by being true to the better angels of its own nature. If it is to manage this turn of the wheel of history, it has to look within.

---

**Fonte:** WOLF, Martin. US-China rivalry will shape the 21st century. Disponível em: <<https://www.ft.com/content/5f796164-3be1-11e8-b9f9-de94fa33a81e>> Acesso em 12 de Abril de 2018.

## **Xi's Strong Hand Against Trump (Bill Emmott – 11/04/2018)**

Bill Emmott is a former editor-in-chief of The Economist.

\* \* \*

The world will soon witness a historic test of wills between China and the United States, two superpowers whose leaders see themselves as supreme. In the immediate sense, it will be a battle over trade. But also at stake is the strategic leadership of East Asia and, eventually, the international order. As things stand, China holds a stronger position than many people realize. The question is whether Chinese President Xi Jinping will feel confident or brazen enough to want to prove it.

The test hardly China's choice, but nor does it come as a surprise. US President Donald Trump's recently announced import tariffs on steel, aluminum, and other Chinese-made goods are in keeping with his brand of economic nationalism. And his decision to accept North Korea's invitation to hold bilateral talks on its nuclear program reflects the same "bring it on" attitude that he applied to the North's earlier threats of war.

The upcoming test will be historic because it promises to reveal the true strengths and attitudes of the world's rising power vis-à-vis the weakened but still leading incumbent power. For better or worse, the result could shape the world for decades to come.

On the trade front, China's large bilateral surplus with the US could mean that it has more to lose from a trade war, simply because it has more exports that can be penalized. It is often said that surplus countries will always be the biggest losers in any tit-for-tat escalation of tariffs and other barriers.

But this assumption misses multiple points. For one thing, China is more economically resilient to the effects of a trade war than it used to be. Trade as a share of its total economic activity has halved in the past decade, from more than 60% of GDP in 2007 to just over 30% today.

China also has major advantages in terms of domestic politics and international diplomacy. As a dictatorship, China can ignore protests by workers and companies suffering from US tariffs. In the US, where mid-term congressional elections will be held this November, the outcry from exporters, importers, and consumers facing higher costs will be heard loud and clear.

Of course, Trump, too, might ignore protests against his trade war if he is convinced that taking on China will please his core voters and win him re-election in 2020. But congressional Republicans will probably feel differently, especially if their states or districts are among those being singled out by Chinese import tariffs.

In terms of international diplomacy, Trump's trade war will help China present itself as the defender of the rules-based international order and multilateral institutions such as

the World Trade Organization. To be sure, not all countries would follow China's lead. The WTO does not recognize China as a market economy, owing to the Chinese government's significant involvement in industry and alleged theft of intellectual property.

But China will have a chance to play the victim, while arguing that the US now poses the single largest threat to the global trading system that it helped create. And if a US-initiated trade war drags on, China's case will become only stronger as more countries suffer the disruptive effects of tariffs.

Of course, China may choose not to fight Trump's trade war at all. With symbolic concessions – such as an agreement to import US-produced liquefied natural gas or promises to offer new guarantees for intellectual-property rights – it could convince Trump to stand down. But if Xi suspects that a show of strength will bolster China's international standing while undercutting that of the US, he may decide to act accordingly.

The North Korea issue is more complicated. But here, too, China will have an advantage. Even barring real progress in the talks, China already looks like a good global citizen. Over the past year, it has been pressuring the North Korean leader, Kim Jong-un, to negotiate. By participating in coordinated economic sanctions against the Kim regime, and by reportedly capping vital exports of oil and other essentials to the North, China has played its part in bringing Kim to the table.

On paper, the fundamental question is whether North Korea will be willing to abandon its nuclear-weapons program, the fruit of more than 30 years of work. And as China well knows, North Korea would never give up its nuclear weapons without major changes in the military balance on and around the Korean Peninsula.

Kim will likely offer to denuclearize solely on the condition that the US withdraw its forces from South Korea, and perhaps from Japan, too. Barring that, he would not feel secure enough to do without the nuclear deterrence on which he has staked his regime's survival. For his part, Trump could not possibly accede to such a condition. At best, he could agree on a process through which such extraordinary moves might be discussed at a later date.

Either way, China comes out on top. In the event of stalemate, it will have gotten Kim to the table and put America in the position of being a refusenik. And if the US does agree to any military concessions, China's strategic position will be strengthened.

The only real question for Xi, then, is whether he wants to assert China's top-dog status now, or sometime in the future.

---

**Fonte:** EMMOT, Bill. Xi's Strong Hand Against Trump. Disponível em: < <https://www.project-syndicate.org/commentary/xi-china-trade-war-north-korea-by-bill-emmott-2018-04> > Acesso em 12 de Abril de 2018.

## **How Inequality Fueled the Euro Crisis (Benedicta Marzinotto – 09/04/2018)**

*Benedicta Marzinotto is Lecturer in Economic Policy at the University of Udine and Visiting Professor of EU Macroeconomic Policies and Governance at the College of Europe.*

\* \* \*

Since the Great Recession of 2007-2009, most economists have begun to regard finance as a key driver of the business cycle. But the precise dynamics are not yet fully understood.

For example, the University of Chicago's Amir Sufi and Princeton's Atif Mian argue that credit expansion leads to nasty recessions, which emerge as soon as households, for whatever reason, lose access to the financing they need to roll over their debts. But this argument misses a key factor, exemplified by the eurozone crisis.

The creation of the euro was accompanied by large-scale financial liberalization, including the elimination of capital controls and the adaptation of the legal framework to allow any European bank to open branches abroad. This process led to growing competition in the banking sector and a progressive increase in the ratio of private banks to public ones.

The result was an across-the-board decline in long-term interest rates, and an increase in credit as a share of GDP. European households almost everywhere became more indebted, but the impact of this credit expansion on private consumption was fundamentally different in the EU's core countries, where current-account surpluses grew, and in the periphery, where countries accumulated deficits.

Why did the same credit-supply shock produce such varied responses? As a recent study shows, the eurozone's financial-liberalization process amounted to a more profound shift for the periphery than for the core, with the former having had less open capital accounts, more public banks relative to private ones, higher long-term interest rates, and lower credit-to-GDP ratios.

The same study argues that in the more financially repressed peripheral countries, the main expectation associated with the liberalization process was that those who had previously lacked access to credit – say, because of low incomes or low savings – could now borrow, in order to finance more consumption. In other words, it was low-income households – which represent a large share of the population in the relatively more unequal countries of the periphery – that played the largest role in changing their economies' external positions.

In the eurozone core, by contrast, the initial upshot of the euro's introduction was mainly more and better saving opportunities, characterized by improved risk-return trade-offs. This primarily benefited wealthy households, which could, for example, borrow to make long-term investments that would finance future, rather than current, consumption.

Because higher-income households comprise a larger share of the total in these countries (which also tend to have lower levels of inequality), aggregate consumption remained subdued. With inequality starting to rise in the 1990s – particularly in Germany – these households had all the more incentive to increase their savings.

The contrasting trends in the periphery and the core were intensified after the global financial crisis erupted, and the eurozone entered recession. In the periphery, low-skill groups were the first to be ejected from the labor market. With troubled commercial banks more risk-averse, these struggling consumers could no longer borrow to roll over their debt and finance current consumption, which came to a halt, deepening the recession.

In the core countries, by contrast, the key borrowers were wealthy, and thus suffered the least. If they did face negative income shocks, they could use their savings as a cushion. So the severity of the bust was a function not simply of the level of household debt, but rather of the distribution of debt across income levels.

To some extent, this is good news. With the periphery having already endured the initial financial-liberalization shock, future credit-supply events are less likely to affect them disproportionately. And the shifting of macroprudential regulation from the national level to the European Union may reinforce this outcome by further helping to harmonize bank-lending behavior.

But there is a snag: EU-level financial regulation is limited to the large systemic banks. As a result, it is unlikely to affect the operations of the small local banks lending small amounts to impatient low-income consumers.

The best way to strengthen eurozone financial resilience is to address borrowing incentives. And the best way to do that is to improve the position of low-income borrowers by investing European resources in education and job quality. Even in the core, more equality of opportunity might improve morale, thereby reducing precautionary saving. Human-capital upgrading and more equality of opportunity should play a prominent role in negotiations over the EU's next Multiannual Financial Framework, with the European Investment Bank possibly also providing support.

As it stands, the common denominator of existing eurozone-reform proposals is the completion of a banking union, which many believe is needed to reduce financial fragmentation and break the vicious circle between banks and sovereign debt. This is the area where progress is most likely in the run-up to June's European Council meeting. But, while a banking union would be a positive step, it will be incomplete without efforts to reduce inequality.

---

**Fonte:** MARZINOTTO, Benedicta. How Inequality Fueled the Euro Crisis. Disponível em: <<https://www.project-syndicate.org/commentary/eurozone-reform-credit-debt-inequality-by-benedicta-marzinotto-2018-04>> Acesso em 12 de Abril de 2018.

## **Italian Politics and Europe's Future (Jeffrey D. Sachs – 09/04/2018)**

*Jeffrey D. Sachs, Professor of Sustainable Development and Professor of Health Policy and Management at Columbia University, is Director of Columbia's Center for Sustainable Development and of the UN Sustainable Development Solutions Network. His books include The End of Poverty, Common Wealth, The Age of Sustainable Development, and, most recently, Building the New American Economy.*

\* \* \*

More than ever, the European Union needs unity to assert its values and interests in an age when US global leadership is on the verge of collapse, China is ascendant, and Russia wavers yet again between cooperation and confrontation with the EU. Divided, the EU is a mere helpless spectator to geopolitical upheaval. United, the EU can play a critical

global role, as it uniquely combines prosperity, democracy, environmentalism, innovation, and social justice. And whether the EU regains unity of purpose, or instead spirals into disarray, will depend on what happens now in Italy.

Italy's pivotal role stems from its position at the geographic divide between northern Europe's prosperity and southern Europe's crisis, and the intellectual and emotional divide between an open Europe and one trapped again by nationalism, prejudice, and fear. Italy stands also at the political divide, with an insurgent new party, the Five Star Movement (M5S), sharing the political stage with the right-wing, anti-immigrant, and anti-EU League party and the pro-EU but greatly weakened center-left Democratic Party.

The insurgent M5S finished first in the March 4 parliamentary vote with an astounding 33% of the vote, compared to 19% for the Democrats and 17% for the League. The implications of M5S's strong victory are a topic of heated debate in Italy and around Europe.

Throughout the EU, traditional center-left and center-right pro-EU parties are losing votes. Just as in Italy, anti-EU nationalist parties like the League are gaining votes, and anti-establishment insurgencies like M5S – for example, Podemos in Spain, and Syriza in Greece – are either winning power outright or holding the balance of power between traditional pro-EU mainstream parties and anti-EU nationalist parties.

There are three reasons for Europe's changing politics. The first, and perhaps least recognized, is a generation of disastrous US foreign policy in the Middle East and Africa. After the Cold War ended in the early 1990s, the US and local allies aimed to establish political and military hegemony in the Middle East and North Africa through US-led wars of regime change in Afghanistan, Iraq, Syria, Libya, and elsewhere. The result has been chronic violence and instability, leading to massive refugee flows into Europe that have upended politics in one EU member state after another.

The second reason is Europe's now chronic under-investment, especially by the public sector. Under former Finance Minister Wolfgang Schäuble, a self-satisfied and economically successful Germany blocked European-wide investment-led growth, and turned the eurozone into a debtors' prison for Greece and a dispiriting zone of stagnation for much of southern and eastern Europe. With the EU's economic policy limited to austerity, it's not hard to see why populism has taken root.

The third reason is structural. Northern Europe innovates, while southern and eastern Europe by and large do not, or at least not nearly at the same rate. Italy straddles the two sides of Europe: a dynamic north, and chronic malaise in the south (the Mezzogiorno). This is an old story, but also an ongoing one. It helps to explain the frontlines of EU politics. The M5S was triumphant especially in Italy's stagnating south.

My political predilections lie with social democracy. I blame conservatives like Schäuble for driving voters into the arms of populist parties. Yet too many mainstream social-democratic leaders went quietly along with Schäuble. I also fault Chancellor Angela Merkel and other European leaders for failing to speak strongly enough against the US-led wars in the Middle East and North Africa. European leaders should have been much more energetic at the United Nations in opposing America's hegemonic policy in the Middle East, with its catastrophic effects, including mass displacement and refugee movements.

Advocates of a strong and vibrant EU – and I am firmly among them – should be rooting for the insurgent parties to join forces with the weakened traditional social-democratic parties in order to promote sustainable development, innovation, and investment-led growth, and to block anti-EU coalitions. Or, as in Germany, they should urge the grand coalition of center-left and center-right parties to become much more dynamic and investment-oriented at European scale, both for the sake of economic good sense and to combat far-right nationalists. Or, as in France, they should cheer the amalgamation of pro-EU traditionalists and insurgents in President Emmanuel Macron’s La République En Marche. Such pro-EU alignments give the EU time to reform its institutions, stake out a common foreign policy, and initiate investment- and innovation-led green growth in place of austerity and complacency.

Traditional social-democratic parties mostly shun the new insurgent parties, viewing them as populist, irresponsible, opportunistic, and dishonest. Such is the view in Italy on the part of the Democrats, with key politicians rejecting a coalition with M5S. That is understandable: the upstarts thoroughly defeated the Democrats at the polls, often with outsize populist promises. Yet the social democrats have been flaccid and even silent in the face of Schäuble-style austerity and irresponsible US-led wars. The traditional social-democratic parties will have to regain their dynamism and appetite for risk-taking to win again at the polls as true progressive parties.

The stakes in Italy are high. With Europe politically and geographically divided, Italy’s politics could tip the balance. A pro-EU Italy governed by an M5S-Democrat coalition could join with France and Germany to reform the EU; regain a clear foreign-policy voice for EU vis-à-vis the US, Russia, and China; and implement a strategy for green, innovation-based growth.

To forge such a coalition, the M5S would have to adopt a responsible and clearly defined economic program, and the Democrats would have to accept being the junior partner of an untested insurgent force. A possible key to mutual confidence would be for the Democrats to hold the crucial finance ministry, while M5S appoints the prime minister.

It is not surprising that US President Donald Trump’s utterly reckless former adviser, Stephen Bannon, rushed to Italy to encourage M5S and the League to form a coalition that he called the “ultimate dream,” because it would break the EU. That by itself should remind Italians of the importance of a pro-EU coalition that rejects such miserable nightmares.

---

**Fonte:** SACHS, Jeffrey. Italian Politics and Europe’s Future. Disponível em: <<https://www.project-syndicate.org/section/politics-world-affairs>> Acesso em 12 de Abril de 2018.

## What's Been Stopping the Left? (Dani Rodrik – 10/04/2018)

*Dani Rodrik is Professor of International Political Economy at Harvard University's John F. Kennedy School of Government. He is the author of The Globalization Paradox: Democracy and the Future of the World Economy, Economics Rules: The Rights and Wrongs of the Dismal Science, and, most recently, Straight Talk on Trade: Ideas for a Sane World Economy.*

\* \* \*

Why were democratic political systems not responsive early enough to the grievances that autocratic populists have successfully exploited – inequality and economic anxiety, decline of perceived social status, the chasm between elites and ordinary citizens? Had political parties, particularly of the center left, pursued a bolder agenda, perhaps the rise of right-wing, nativist political movements might have been averted. In principle, greater inequality produces a demand for more redistribution. Democratic politicians should respond by imposing higher taxes on the wealthy and spending the proceeds on the less well off. This intuition is formalized in a well-known paper in political economy by Allan Meltzer and Scott Richard: the wider the income gap between the median and average voter, the higher the taxes and the greater the redistribution.

Yet in practice, democracies have moved in the opposite direction. The progressivity of income taxes has decreased, reliance on regressive consumption taxes has increased, and the taxation of capital has followed a global race to the bottom. Instead of boosting infrastructure investment, governments have pursued austerity policies that are particularly harmful to low-skill workers. Big banks and corporations have been bailed out, but households have not. In the United States, the minimum wage has not been adjusted sufficiently, allowing it to erode in real terms.

Part of the reason for this, at least in the US, is that the Democratic Party's embrace of identity politics (highlighting inclusiveness along lines of gender, race, and sexual orientation) and other socially liberal causes came at the expense of the bread-and-butter issues of incomes and jobs. As Robert Kuttner writes in a new book, the only thing missing from Hillary Clinton's platform during the 2016 presidential election was social class.

One explanation is that the Democrats (and center-left parties in Western Europe) became too cozy with big finance and large corporations. Kuttner describes how Democratic Party leaders made an explicit decision to reach out to the financial sector following President Ronald Reagan's electoral victories in the 1980s. Big banks became particularly influential not just through their financial clout, but also through their control of key policymaking positions in Democratic administrations. The economic policies of the 1990s might have taken a different path if Bill Clinton had listened more to his labor secretary, Robert Reich, an academic and progressive policy advocate, and less to his Treasury secretary, Robert Rubin, a former Goldman Sachs executive.

But vested interests go only so far in explaining the failure of the left. Ideas have played at least as important a role. After the supply-side shocks of the 1970s dissolved the Keynesian consensus of the postwar era, and progressive taxation and the European welfare state had gone out of fashion, the vacuum was filled by market fundamentalism

(also called neoliberalism) of the type championed by Reagan and Margaret Thatcher. The new wave also appeared to have caught the electorate's imagination.

Instead of developing a credible alternative, politicians of the center left bought wholesale into the new disposition. Clinton's New Democrats and Tony Blair's New Labour acted as cheerleaders for globalization. The French socialists inexplicably became advocates of freeing up controls on international capital movements. Their only difference from the right was the sweeteners they promised in the form of more spending on social programs and education – which rarely became a reality.

The French economist Thomas Piketty has recently documented an interesting transformation in the social base of left-wing parties. Until the late 1960s, the poor generally voted for parties of the left, while the wealthy voted for the right. Since then, left-wing parties have been increasingly captured by the well-educated elite, whom Piketty calls the "Brahmin Left," to distinguish them from the "Merchant" class whose members still vote for right-wing parties. Piketty argues that this bifurcation of the elite has insulated the political system from redistributive demands. The Brahmin Left is not friendly to redistribution, because it believes in meritocracy – a world in which effort gets rewarded and low incomes are more likely to be the result of insufficient effort than poor luck.

Ideas about how the world works have played a role among the non-elite as well, by dampening the demand for redistribution. Contrary to the implications of the Meltzer-Richard framework, ordinary American voters do not seem to be very interested in raising top marginal tax rates or in greater social transfers. This seems to be true even when they are aware of – and concerned by – the sharp rise in inequality.

What explains this apparent paradox is these voters' very low levels of trust in government's ability to address inequality. One team of economists has found that respondents "primed" by references to lobbyists or the Wall Street bailout display significantly lower levels of support for anti-poverty policies.

Trust in government has generally been declining in the US since the 1960s, with some ups and downs. There are similar trends in many European countries as well, especially in southern Europe. This suggests that progressive politicians who envisage an active government role in reshaping economic opportunities face an uphill battle in winning over the electorate. The fear of losing that battle may explain the timidity of the left's response.

Yet the lesson of recent studies is that beliefs about what the government can and should do are not immutable. They are susceptible to persuasion, experience, and changing circumstances. This is as true for elites as it is for non-elites. But a progressive left that is able to stand up to nativist politics will have to deliver a good story, in addition to good policies.

---

**Fonte:** RODRIK, Dani. What's Been Stopping the Left? Disponível em: <<https://www.project-syndicate.org/commentary/left-timidity-after-neoliberal-failure-by-dani-rodrik-2018-04>> Acesso em 12 de Abril de 2018

## **DISCLAIMER**

O presente material é meramente informativo, genérico e não configura consultoria, oferta, solicitação de oferta, ou recomendação para a compra ou venda de qualquer investimento, instrumento ou produto específico em qualquer jurisdição ou mercado, nacional ou internacional. Embora as informações e opiniões aqui expressas tenham sido obtidas de fontes confiáveis e de boa fé quando da publicação, estas não foram independentemente conferidas ou validadas e nenhuma declaração ou garantia, expressa ou implícita, é feita a respeito da exatidão, fidelidade e/ou totalidade das informações. A Pragma Gestão de Patrimônio Ltda (“Pragma”) não se responsabiliza pela publicação acidental de dados incorretos e as informações, opiniões e valores indicados estão sujeitas a alteração, reprocessamento e/ou reprecificação sem aviso prévio. As matérias, artigos, relatos e entrevistas contidos neste documento e em seus anexos são de exclusiva responsabilidade do autor, não representando ideias, opiniões, pensamentos ou qualquer forma de posicionamento da Pragma. Este documento não pode, sob qualquer forma ou pretexto, ser utilizado, divulgado, alterado, impresso ou copiado, total ou parcialmente, sem prévia autorização da Pragma tampouco poderá ser divulgado ou utilizado por qualquer pessoa ou entidade em qualquer jurisdição ou país onde sua divulgação ou uso seja contrário às leis ou regulamentos vigentes ou em que o recipiente do documento não esteja qualificado a agir, ou para qualquer pessoa cuja jurisdição possa considerar ilegal a divulgação de informações, serviços, opiniões ou análises deste material. Informações adicionais poderão ser obtidas mediante solicitação.

