REUNIÃO DE CONJUNTURA

23/04/2018

Artigos de Conjuntura Global

Rethinking the Twenty-First-Century Economy (Margareta Drzeniek-Hanouz – 16/04/2018)

Margareta Drzeniek-Hanouz is Head of the Economics Unit at the World Economic Forum.

* * *

Before the threat of a US-China trade war arose, surging stock markets and corporate profits had obscured the fact that the global economic system is under existential stress. Global financial stability remains considerably in doubt. Indeed, as world financial leaders gather for the annual IMF/World Bank spring conference in Washington, DC, the rapid pace of technological change and rising inequality are fueling ever louder calls for root-and-branch revision of the entire system.

For governments to cope with these mounting pressures, they will need to rethink the key policy tools on which they have relied for well over a century, starting first and foremost with taxation.

Death and taxes may have been the only certainties in the world of Benjamin Franklin two centuries or so ago; today, only death remains undeniable. With the rise of the digital economy, more and more economic value is derived from intangibles such as the data collected from digital platforms, social media, or the sharing economy. And because company headquarters can now be moved between countries with ease, governments are finding it ever harder to raise taxes. At the same time, public spending will likely have to increase to meet the demands of those left behind in the era of globalization and digital technologies.

Lawmakers have mostly sought to nurture innovation, in the hope that new industries will spur productive capacity and, in due course, fill government coffers. But digital service providers have grown larger in terms of just about everything except the taxes they pay.

That may be about to change. One idea currently gaining traction is to tax firms offering free-to-use digital services differently, so that their intangible value receives the same tax treatment as the tangible value produced by manufacturers and traditional service providers.

But taxation could be on the cusp of a much broader transformation, not limited to the digital economy. With today's businesses expected to contribute more to society than just what is on their balance sheets, there is a new impetus to base corporate taxation partly on a firm's social footprint. For example, governments could adjust tax rates according to a company's environmental stewardship or the size of its workforce.

Another idea is to tax robots and related technologies to compensate for the drift of economic rewards away from labor. In any case, broadening the tax base will require new approaches to measuring value in the economy.

Beyond the debate about how to tax today's tech giants, Western economies confront the more fundamental question of whether markets still represent the most efficient way to allocate resources. In many ways, today's transformative technologies are challenging that premise.

Modern data science, for example, is becoming so advanced that algorithms driven by existing consumer data could soon take over the task of making efficient buying decisions. The question, then, will be whether the market or a state armed with algorithmic knowledge would be better at providing certain goods and services.

Data are influencing our economic consciousness in other ways, too. For one thing, consumers are starting to realize the extent to which digital services profit from their personal information. Data are also the wellspring for artificial intelligence, machine learning, and similar technologies, which will have an ever-greater economic impact. Thus, we may be approaching an inflection point where consumers start demanding payment for their data.

Big data will also disrupt much of the financial sector. Today's insurance industry, for example, is built on information asymmetries and mutualization of risks. As we move closer to an ecosystem of near-perfect information, the tools for accurately pricing risk will become increasingly powerful.

Finally, today's economic transformation has prompted a healthy discussion of the relationship between economic output and wellbeing or happiness. Of course, wellbeing itself is hard to measure, so one could argue that it is better to approach the issue from the other direction, by identifying the factors that make us less well. That is the idea behind the annual Bloomberg Misery Index, which measures inflation and unemployment, on the assumption that both generate economic costs for societies.

Bloomberg's approach raises the key question of how we should measure economies in the twenty-first century. In the 1930s, the economist Simon Kuznets identified gross national product as an indicator of an economy's output of goods and services over a given period. Now, GNP – along with gross domestic product, or GDP – is regarded as the de facto indicator of national welfare around the world.

But these measures are misleading, because they do not account for many of the things that matter to societies, such as equality, social mobility, or sustainability. Even if GDP were a good predictor of success in those categories, it still does not capture the intangible value being created in the digital economy.

At the end of the day, the main challenge confronting governments is the same as in earlier eras: to make life better – longer, healthier, wealthier, and more secure – for current and future generations. The biggest difference today is that rapid technological change, coupled with emerging environmental and inter-generational challenges, is directly affecting governments' ability to act.

But governments will not achieve their goals by using outdated tools. Tax codes written for an analog economy and statistical methods that fail to capture real wealth will not do. A new approach to ensuring happiness and wellbeing in the decades ahead is unavoidable.

Fonte: DRZENIEK-HANOUZ, Margareta. Rethinking the Twenty-First-Century Economy. Disponível em: <https://www.project-syndicate.org/commentary/taxing-value-in-the-digital-economy-by-margareta-drzeniek-hanouz-2018-04> Acesso em 19 de Abril de 2018.

The global economic recovery is real but fragile (Martin Wolf – 17/04/2018)

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".

* * *

The world economy is enjoying a period of strong economic growth. It is not growing as quickly as it did between 2003 and 2007, but, in view of how that surge ended, we should be grateful for that mercy. Both growth in 2017 and the growth forecast by the IMF for 2018 and 2019 are higher than in any year since the crisis, except for 2010 and 2011, the years of post-crisis recovery. This, then, is a time of fragile recovery.

In its latest World Economic Outlook, the IMF has raised its forecast for growth of the world economy for this year and next by 0.2 percentage points above its forecast in October 2017. The big upgrade is for the advanced economies, up by 0.5 and 0.4 percentage points in 2018 and 2019, respectively. The UK is the only member of the group of seven leading countries to enjoy no upgrade. That is Brexit's early price. Perhaps most striking given protectionist noises from the US, are upgrades in the expected growth of the volume of world trade. This is now forecast to grow 1.1 percentage points faster in 2018 and 0.8 percentage points faster in 2019.

The two main reasons for the strength of the world economy and rising optimism about short-term prospects are that policy remains highly supportive, while the world has avoided any large negative economic shocks since the collapse of commodity prices in 2014 and 2015. Markets expect policy rates to rise more sharply in the US than in October. Even so, monetary policy would not be tight by historical standards: the expected policy rate is below 3 per cent even in early 2021. This optimism is largely because inflation, notably wage inflation, has been quiescent, despite low unemployment. Other high-income economies are far behind the US in their tightening.

To a still highly supportive monetary policy we must add the huge pro-cyclical fiscal boost coming from unfunded tax cuts in the US. The Congressional Budget Office forecasts the US federal deficit at an average of just below 5 per cent of gross domestic product between 2019 and 2027. This mixture of guns and butter in a full-employment economy reminds one of the late 1960s and early 1970s. That period ended very badly. The IMF view is not so cataclysmic. It merely argues that the US fiscal policy has borrowed growth from the future.

What are the risks to such a benign view of the future? In the short term, argues the fund, they are balanced.

On the upside, strong confidence might lead to a bigger than forecast boost to both investment and consumption. Stronger investment might also lead to stronger productivity growth and so lower than expected inflation. On the downside, the unpredictable policy environment and associated market turbulence might trigger a big reduction in confidence and so weaker demand. One vulnerable place might be the eurozone, where, as Gavyn Davies notes, growth is now slowing unexpectedly.

In the longer run, however, the risks seem weighted to the downside. True, we might be at the beginning of a period of sustained and fast growth driven by a delayed upswing in productivity growth and convergence between advanced and emerging countries. Yet the downside risks are more potent.

The ratio of debt to world GDP is as high today as it was a decade ago, though its composition has changed: towards government and non-financial corporations and away from households and the financial sector. Important asset prices are also elevated. The IMF notes that: “Credit risk may be contained while global growth momentum is strong and borrowing rates are low.” Yet, if inflation were to surprise on the upside, monetary policy tighten more sharply than expected and term premia in bonds jump too, debt problems would re-emerge, perhaps disastrously so. If that were to happen, the room for response by central banks would be limited. Also, notes the IMF, the rapid growth of “crypto assets” and breaches in cyber security may yet prove destructive.

Furthermore, there is profound global political tension. The ludicrous intellectual framework of US trade policy is displayed in the forecast that, far from shrinking, the US current account deficit will expand as a result of the fiscal boost. That would not stop Donald Trump, US president, from blaming perfidious foreigners. As Maurice Obstfeld, the fund’s economic counsellor, notes in a remarkable sentence: “The multilateral rules-based trade system that evolved after World War II and that nurtured unprecedented growth in the world economy needs strengthening. Instead, it is in danger of being torn apart.” The IMF was a product of wiser times. It is right to remind us of that.

At a time when a rising superpower challenges the incumbent — and when the latter has turned against the very global system it created — complacency would be absurd. If one wishes to understand the politics behind this disarray, a glance at the chapter on labour force participation in advanced countries would help. Labour force participation of men fell in almost every high-income country between 2008 and 2016, while that of women rose almost everywhere. This is not a socially benign way of achieving greater equality between the sexes. Furthermore, the US has not even managed that increase in women’s labour force participation. Its labour market has been a disaster. This is just one aspect of a broader lesson: a house so economically divided cannot stand.

A decade ago, we experienced a crisis in the global system. But policymakers prevented it from becoming a crisis of the system. Now, at a time of cyclical recovery, we are facing just such a crisis of the system. Ours is in an era of economic and political fragility. The recovery is real. So, alas, is that fragility.

Fonte: WOLF, Martin. The global economic recovery is real but fragile. Disponível em: <https://www.ft.com/content/532f1142-4163-11e8-93cf-67ac3a6482fd> Acesso em 19 de Abril de 2018.

Intellectual Property (John Cochrane – 20/03/2018)

John H. Cochrane is the Jack and Rose-Marie Anderson Senior Fellow at the Hoover Institution. He is also a research associate of the National Bureau of Economic Research and an adjunct scholar of the CATO Institute.

* * *

The China trade argument has boiled down to intellectual property and trade. Roughly it has gone like this:

"We need to stop China from selling us all this stuff. Bring the jobs home!"

"Uh, right now the jobs problem is that employers can't find workers. Cheap stuff from China is a boon to American consumers. Tariffs like that on steel cost more steel-using jobs than they save."

"Hm. Ok, but we have to threaten with tariffs to get China to stop requiring our companies to share intellectual property!"

I'm still skeptical about the intellectual property and trade argument. OK, suppose China says that in order for a US company to produce there, it must share intellectual property with a Chinese partner. Just how terrible is this? Just how terrible for the US economy, and society as a whole, justifying a robust policy response -- obviously the company would rather make more profits, but that's not a basis for economic policy.

Intellectual property is different from real property, in that it is nonrival. If you live in my house, I can't live in it. But if you use my equation, my blueprints, my recipe for nanoscale lubricants, or my designs for specialty oilfield equipment, that does not hamper my use of the same ideas.

Because of this feature, intellectual property is quite different in law, and in economics, than other kinds of property. Ideally, once an idea is produced, it should be distributed freely to everybody. The marginal cost is zero, it is nonrival, so society is best off if everyone gets to use new ideas immediately. Economic growth is the spread of better ideas, and the faster the better. Period.

Except... it costs money to produce new ideas. So if we have no intellectual property rights, nobody produces intellectual property to begin with.

Our patent, copyright, and intellectual property system is, ideally, a response to this conundrum. We grant innovators a monopoly right to new ideas. They can then recoup the cost of developing the idea. But a patent requires disclosure of the idea, and only lasts a finite amount of time. After the inventor is rewarded, the idea becomes public property and everyone can use it. In this way patent rights are not universal, nor eternal, unlike say physical property rights (ideally).

We have a lot of other institutions designed to address this problem. Research universities receive nonprofit status in return for producing and disseminating nonrival ideas. The government funds a lot of research for the same purpose.

"Technology transfer" is one of the main tools of external development efforts. People go to less developed countries and try hard to help them to use US-developed ideas. For free. It is part of many contracts in our world of politicized international business, such as airplane construction.

Medicines are a good example. They are developed at great cost. The US consumer gets them first and pays through the nose. Eventually it goes generic, and spreads to other countries. Soon, we're subsidizing its use in the third world.

China's rise has been amazing. But their GDP per capita is still only $8,000. US GDP per capita is $58,000. They desperately need to learn how to do things as we do.

Now, yes, stealing intellectual property is not good, and the world is right to complain. Though remember, at a similar stage of development, the US stole a lot of IP from the UK. We only started a manufacturing industry because some clever spies stole the designs to power looms. And our publishing industry routinely republished UK books, like Dickens novels, without paying a cent of IP. It's not clear that US growth came at the expense of the UK in the 19th century, and by 1917 they were kinda glad to have us around.

But the question at hand is, just how much is the US, and the world as a whole, damaged by China's demand that companies who want to set up shop there share intellectual property with Chinese partners, i.e. teach them how to do things?

The companies can always say no. If you're going to lose more by losing some of the monopoly power of your idea to a Chinese partner than you gain by being able to produce in China or sell there, don't do it! Or demand a better price. It sounds like companies want just to increase their monopoly profits. Well, I understand completely why the companies want that -- having your cake and eating it too is nice. And if the White House can get it for you, go ask for it. But a desire to increase monopoly profits is not a social or economic problem. Companies could also increase profits if the US lengthened patents to 50 years. But we don't do that -- we understand the importance of "forced technology transfer" for ideas.

In fact, this IP debate is quite a contradiction with the other argument going on right now. The Economic Problem of the Minute, (we seem to have a new one every 20 minutes) is too much "monopoly" power. Profits are up, labor's share is down, investment is down. It looks like companies are sitting on "rents," i.e. the monopoly power they have from unshared intellectual property.

And so...we want to strengthen the rents, the monopoly power of intellectual property?

There is a parallel strain of economic thought that says we have too much intellectual property protection. The point of trade agreements should not be to preserve the Mickey Mouse copyright for another 100 years, and all over the world. Walt made his money. Tech is wasting a lot of time and money on patent wars.

It is possible that R&D is not happening that could happen, but it is so costly that only joint US and Chinese monopoly rents could justify. New ideas not produced are the clearest argument for social cost of technology transfer. But I don't hear that argument. I hear only, US firms developed great stuff, they're making money on it, they want to produce with cheaper labor in China. They still make money if they share the technology. But they want to make more money yet, and they're not willing or able to demand a better price for their technology or walk away from the table.

To be clear, I don't think government-imposed forced partnerships are a good thing, nor is forced technology transfer as a condition of doing business in a country a good thing. I would rather, and we would all be better off, if China allowed businesses to operate freely, or at least as freely as they do in the US. (We're no saints here on allowing foreign businesses to do what they want.) But like tariffs, which mostly hurt the country that imposes them, it does not seem like an obvious social problem over which to start a trade war.

But, to continue my little dialog, it seems the Administration now wants to rejoin the TPP. Cheer up, they're learning fast!

Fonte: COCHRANE, John. Intellectual Property. Disponível em: <https://johnhcochrane.blogspot.com.br/2018 /04/intellectual-property.html#more> Acesso em 19 de Abril de 2018.

Automation and American Leadership (Robert Skidelsky – 18/04/2018)

Robert Skidelsky, Professor Emeritus of Political Economy at Warwick University and a fellow of the British Academy in history and economics, is a member of the British House of Lords. The author of a three-volume biography of John Maynard Keynes, he began his political career in the Labour party, became the Conservative Party's spokesman for Treasury affairs in the House of Lords, and was eventually forced out of the Conservative Party for his opposition to NATO's intervention in Kosovo in 1999.

* * *

Not so long ago, there were two competing explanations of unemployment. The first was the Keynesian theory of deficient demand, which holds that workers become unemployed "involuntarily" when their community lacks the money to buy the goods and services they produce. The second was the view often associated with the Chicago School, according to which unemployment is a voluntary choice of leisure over work at whatever the offered wage.

Now, a third explanation is gaining traction: declines in full-time work opportunities and real wages are both due to automation. To be sure, the idea that robots are gobbling up human jobs is a new slant on the very old problem of technological unemployment. But it is a slant that merits attention, because the problem cannot be solved with the conventional policy responses.

The "official" narrative about technology treats accelerating change as inevitable. According to acronymically named institutions, think tanks, task forces, et hoc genus omne, automation and artificial intelligence (AI) will soon eliminate or alter a large but unpredictable number of human jobs.

At the same time, embracing new technology is considered necessary for a country's geopolitical and competitive success. Thus, disruptions to existing work patterns should be welcomed and "mitigated," by adapting education and social-security systems to the needs of an automation-driven job market.

So says The Work Ahead: Machines, Skills, and US Leadership in the Twenty-First Century, a new report published by the Council on Foreign Relations. Like many other recent reports on the topic, this one starts from unargued – and largely unwarranted – assumptions and arrives at anodyne conclusions.

For example, we are told that technological possibilities will determine job outcomes. Because most jobs will be automated in whole or in part, resistance is futile, and adaptation ("mitigation") is the only option. Moreover, technological innovation must be enthusiastically embraced, or the "best and brightest" workers will flock to foreign competitors.

We are also told that if the United States were to slow the pace of automation unilaterally, it would forfeit its dominant position on the world stage. On the assumption that China is a strategic enemy of the US, it is imperative that the American people embrace technological innovation to win the race for world leadership.

Lastly, we are told that work is the source of one's identity. So, rather than delinking economic security from employment, the challenge is to salvage traditional but more flexible forms of paid employment. Thus, a universal basic income must be rejected, owing to its "enormous cost and the potential disincentives to work."

If one abides by these ground rules, then the only answer to the march of the robots must be an active labor-market policy geared toward preparing workers to race with machines. The challenge of a more precarious job market is to be met by making people more precarious.

To its credit, the CFR report does come close to making an important point about the relationship between cyclical unemployment and the longer-term problem of technological unemployment. The authors are correct to view a policy of "full employment" as necessary (though not sufficient) to win the public's acceptance of automation. And they even note that the US economy has been at full employment for just 30% of the period since 1980, compared to 70% of the period between the late 1940s and 1980. "At any given time," the authors write, "millions of people are likely to be out of jobs involuntarily and looking for work, and in times of recession and economic slowdown, those numbers will spike."

And yet, to "mitigate" this problem, the report proposes more of the same policies that brought us to where we are. Accordingly, monetary policy should be used to expand employment – even though it has consistently failed to do so. And, "Congress and the Trump administration should also use fiscal policy prudently to maintain strong growth and employment" – even though "the worsening federal budget deficit … will unfortunately further handcuff" efforts in this direction.

So much for using macroeconomic policies to confront the "jobs challenge." Instead, we are left with the usual microeconomic measures to prepare people for algorithmic employment – that is, the use of big data to match people with the jobs they will need to remain consumers. Again, we are told that future labor-market participants should be equipped with job-targeted education and portable social-security pots to help them jump from one automated workplace to another.

In the case of education, the report calls on employers and colleges to work together to develop talent "pipelines." For example, it highlights Miami Dade College's "programs in animation and game development, working with companies such as Pixar Animation Studios and Google." Likewise, Toyota "has built its own advanced manufacturing technician program to provide a pathway for students seeking careers at the company."

And to ensure labor mobility, the report gives pride of place to "flexicurity," in the form of portable benefits ("transition assistance for workers"). In typical fashion, it does not attempt to delink benefits from work itself, but rather from "single employers and full-time work."

In the end, the report never makes up its mind about whether flexible forms of work in the "gig economy" represent Keynesian demand deficiency, voluntary choices for part-time work and self-employment, or the involuntary encroachment of automation. And while the authors admit that globalization and technological dynamism have left a large part of the US population and territory behind in terms of wealth, income, and self-esteem, their own remedy is to redouble ongoing efforts to bring the "left behinds" up to speed.

For my part, I would draw a different conclusion from the same facts. If the goal is to lift all boats as far as possible, then some slowdown of globalization and automation is inescapable. Every citizen has a right not to be left too far behind. Upholding that right should not be sacrificed in the name of largely bogus calculations about the effects of slowing down automation on US global leadership.

Fonte: SKIDELSKY, Robert. Automation and American Leadership. Disponível em: <https://www.project-syndicate.org/commentary/us-automation-and-unemployment-policies-by-robert-skidelsky-2018-04/english> Acesso em 19 de Abril de 2018.

Missile Strikes Are Not a Syria Strategy (Richard Naas – 19/04/2018)

Richard N. Haass, President of the Council on Foreign Relations, previously served as Director of Policy Planning for the US State Department (2001-2003), and was President George W. Bush's special envoy to Northern Ireland and Coordinator for the Future of Afghanistan. He is the author of A World in Disarray: American Foreign Policy and the Crisis of the Old Order.

* * *

"A perfectly executed strike…Could not have had a better result. Mission Accomplished." So tweeted US President Donald Trump just hours after more than a hundred American, French, and British cruise missiles hit three sites in Syria believed to be associated with chemical weapons production.

The mission that was "accomplished" was to deliver the message that using chemical weapons would not be cost-free for those responsible. Ideally, punitive strikes such as these would deter Syria's government, or any other, from ever using chemical weapons again in violation of the Chemical Weapons Convention.

But it is far from clear that Trump has achieved that deterrent effect. The somewhat smaller strike undertaken a year ago failed to change Syrian behavior, and the latest attack is no more likely to do so. What Bashar al-Assad's government achieved with chemical weapons – gaining control of rebel-held areas in Douma and eastern Ghouta – outweighed the price it paid. And it is a near-certainty that the Syrian government continues to possess chemical weapons, and could produce additional supplies without detection.

Military action to enforce the international norm against the use of chemical weapons is legitimate and welcome, as was the decision to coordinate the response with allies and to threaten additional strikes if chemical weapons were used again. It is important to signal that opposition to the use of any weapon of mass destruction is both deep and broad.

At the same time, the United States appears to have gone to considerable lengths to avoid engaging Russian and Iranian forces. This reduced the risk of escalation, but it also ruled out many potential targets, limiting the price paid by the Syrian government for what it had done. For this and other reasons, what the missile strikes accomplished should not be exaggerated.

The Syrian government could reasonably interpret US policy as follows: "We will stand by and do nothing while you terrorize or kill your own people so long as you do not use chemical weapons." In fact, this has been the case for the past seven years, as nearly a half-million Syrians have died and more than ten million have been forced from their homes. Trump's foreign policy is not so much immoral as it is amoral.

It bears emphasizing that the missile strikes were not designed to undermine the Assad regime's long-term prospects. Thanks in large part to Russian and Iranian support, Assad is firmly in control and will likely remain so for the foreseeable future. This is a bitter pill for many to swallow, but it is the reality.

So where does this leave US policy and, for that matter, the policy of the French, British, and anti-Assad Arab governments? Trump remains committed to ending America's military presence (now some 2,000 troops) in Syria. He made this clear when he announced the missile strikes: "America does not seek an indefinite presence in Syria under no circumstances," he said. "As other nations step up their contributions, we look forward to the day when we can bring our warriors home."

But if the goal is to avoid creating a situation in which the Islamic State (ISIS) or other terrorist groups could reconstitute themselves, that day remains far off. The US is reportedly attempting to persuade Egypt, Saudi Arabia, the United Arab Emirates, and Jordan to create a Sunni force that would maintain order in areas liberated from ISIS. It is far from clear whether such a force will come into being, and even less certain that it could stand on its own, given these countries' modest capabilities and extensive commitments. A considerable US military presence and involvement will still be required.

An ongoing US troop presence is also required to maintain coordination with Syrian Kurdish forces, who did most of the fighting against ISIS. But sustaining support for the

Kurds without causing additional problems with Turkey, which has introduced forces into the area to weaken Kurdish control, may prove impossible. That fact calls for reducing US military reliance on access to Turkish bases.

Trump has said nothing about the plight of internally displaced Syrians. America, which accepted more than 10,000 Syrian refugees as recently as two years ago, has rolled up its welcome mat, accepting only a trickle last year. And the matter of who should pay, and how much, to support Syrian refugees and the neighboring countries that have taken them in remains unresolved.

A final question involves diplomacy. There is no realistic hope of engineering a political transition in Damascus, but it may be possible to arrange local cease-fires and create areas where Syrian civilians (but not government forces) could live in safety. Such arrangements, however, would likely require Russian involvement and support to keep the Syrian and Iranian governments on board. Russia has acted irresponsibly of late, but there remains the chance it will choose to offer limited help, if only to hold down the costs of its Syria policy.

None of this adds up to a solution; Syria is likely to remain a broken country for years to come, with an illegitimate government that controls most but not all of the state's territory. But limiting the violence and improving the lot of at least some Syrians might be possible if the US does not rush to leave, if Sunni governments contribute soldiers and money, and if

Russia can be persuaded to play a somewhat more constructive role.

Fonte: HASS, Richard. Missile Strikes Are Not a Syria Strategy. Disponível em: <https://www.project-syndicate.org/commentary/syria-trump-missile-attack-no-strategy-by-richard-n--haass-2018-04> Acesso em 19 de Abril de 2018.

Is the Financial Sector Safe Enough Yet? (Mark Roe – 19/04/2018)

Mark Roe is a professor at Harvard Law School. He is the author of studies of the impact of politics on corporate organization and corporate governance in the United States and around the world.

* * *

A decade after the global financial crisis, policymakers worldwide are still assessing how best to prevent bank failures from tanking the economy again. Two recent publications – one from the US Department of the Treasury, and another by Federal Reserve economists – provide an indication of where we are.

The US Treasury report examined whether to replace the 2010 Dodd-Frank Act's regulator-led process for resolving failed mega-banks – the Orderly Liquidation Authority (OLA) – with a solely court-based mechanism. The Treasury's study was undertaken under instructions from President Donald Trump, who was responding to pressure from several Republican congressional leaders – such as Representative Jeb Hensarling of

Texas, the chair of the House Financial Services Committee – who advocate replacing regulators with courts.

Ultimately, while the Treasury extolled the virtues of basic bankruptcy for failed banks, it rejected repealing regulators' powers to lead bank restructurings. Hensarling expressed deep disappointment with the Treasury's conclusion, and he and his colleagues continue to insist that Dodd-Frank is an example of inappropriate government meddling that raises the risks of taxpayer-funded bailouts.

But, as the Treasury recognized, eliminating the regulators is a problematic proposition. Restructuring banks in a crisis requires planning, familiarity with the bank's strengths and weaknesses, knowledge of how best to time the bankruptcy in a volatile economy, and a capacity to coordinate with foreign regulators. The courts cannot fulfill these tasks, especially not in the time currently allotted for a bank bankruptcy – a 48-hour weekend – without regulators' prior planning and immediate advice, as well as international coordination.

Moreover, if multiple mega-banks sank simultaneously, bankruptcy courts could not manage the economy-wide crisis that would follow. They lack the training to devise a nationwide recovery plan. And they are in no position to coordinate proceedings with foreign regulators.

Given all of this, eliminating regulator-led restructuring would amount to a big step backward. So the Treasury's report is good news, especially because, without Treasury support, the House of Representatives may well stop pushing for this change.

Yet the second recent publication – by several Fed economists – suggests that there is work to be done. That report's main conclusion is that restructuring planning is not yet reflected in the market's pricing of bank bonds.

After the crisis, studies by International Monetary Fund staff and others concluded that banks needed much more loss-absorbing equity. In 2009, only five cents of every dollar of funding for many major banks came from equity; the rest was debt (deposits, overnight loans, and long-term loans). So if the bank lost six cents in its operations per dollar of debt, some creditor could not be fully paid. Seeking to avoid losses, many creditors would rush to cash out, putting pressure on the entire banking system and potentially triggering a run.

According to the IMF study, most banks could have weathered the crisis effectively if 15 cents of every dollar of funding had come from equity. Yet banks still hold only eight or nine cents per dollar of funding in equity, despite regulators' pushed for an increase , and the biggest banks have called for reducing even this suboptimal ratio.

Regulators and bankers have sought a middle ground to boost safety. In addition to the eight cents of equity they are holding, banks are now aiming to hold another eight cents per dollar of debt that could be turned into equity in the course of a weekend. In such a scenario, a damaged bank could absorb more losses and remain in operation, diminishing creditors' incentive to run.

But there is a potential hitch. Under the current plan, certain creditors are designated in advance to absorb a failed bank's losses once the equity is wiped out. Those creditors' debts are thus riskier, and should be more expensive to the bank than the debt that is not designated to be turned into equity. Yet the Fed economists conclude that, in the market, this is not the case. Why?

The first possibility is rather optimistic: financial markets don't think there could be another financial crisis during the life of the existing debt. But could markets really believe that there is zero chance of a crisis in the next decade? The risks of, say, a trade war or a fiscal crisis (when the projected trillion-dollar deficits are reached) are real, apparent, and priced by volatile stock markets.

Another more neutral possibility is that markets aren't pricing the different types of debt differently because they do not understand that the plan involves hitting some creditors hard and keeping others safe. But this is also unlikely, because the plan has been well publicized in financial circles, and ratings agencies like Moody's count the loss-absorbing debt as riskier than banks' regular debt.

The third explanation is more ominous. Maybe financial markets understand the plans, but don't (yet) find them credible. Weekend restructuring of mega-banks has never been tried, and commentators still see potential hurdles to overcome. Maybe knowledgeable investors assume that, ultimately, banks and the government will not treat the designated loss-absorbing creditors any differently than others. Either everyone will go down, or everyone will get bailed out.

If this is the reason, it is disappointing, given how much work has gone into developing both the regulatory-led and the court-led restructuring mechanisms.

Fonte: ROE, Mark. Is the Financial Sector Safe Enough Yet? <https://www.project-syndicate.org/commentary/dodd-frank-bank-restructuring-by-mark-roe-2018-04> Acesso em 19 de Abril de 2018.

The "Next Eleven" and the World Economy (Jim O´Neill – 18/04/2018)

Jim O'Neill, a former chairman of Goldman Sachs Asset Management and former Commercial Secretary to the UK Treasury, is Honorary Professor of Economics at Manchester University and former Chairman of the Review on Antimicrobial Resistance.

* * *

On a recent holiday in Vietnam, Cambodia, and Laos, I couldn't resist thinking about these countries' economic potential and ongoing policy challenges. After all, in 2005, my Goldman Sachs colleagues and I had listed Vietnam as one of the Next Eleven (N-11) – all countries with the potential to become important economies during this century.

Vietnam reported that its real (inflation-adjusted) GDP growth was 7.4% in the latest quarter, outpacing China. And, according to the World Bank's forecast, Vietnam, along with Cambodia and Laos, is on track to maintain a similar level of growth for the year.

The N-11 never acquired the cachet of the BRIC acronym, which I coined in 2001 to describe a bloc of emerging economies (Brazil, Russia, India, and China) that stood to have a significant impact on the world economy in the future. The N-11 countries weren't at the level of the BRICs, but nor was either acronym intended to be an investment theme.

Rather, N-11 was simply a label we applied to the next 11 most populous, highest-potential emerging economies after the BRICs.

Around the time that we published the 2005 paper "How Solid are the BRICs?", in which we first identified the N-11, I often joked that we chose 11 simply because it was the number of players on a soccer team. When others would point out that we had excluded more populous countries such as Congo and Ethiopia, I would muse that Ethiopia could be the N-11's Ole Gunnar Solskjaer, in reference to Manchester United's brilliant sub-in scorer during the 1990s.

Then as now, the N-11 comprised a mixed bag: South Korea, Mexico, Indonesia, Turkey, Iran, Egypt, Nigeria, the Philippines, Pakistan, Bangladesh, and Vietnam. These countries have extremely diverse economic and social conditions, and very different levels of wealth. For example, South Koreans now enjoy a standard of living similar to that in the European Union, which makes many analysts' persistent categorization of South Korea as an "emerging economy" all the more baffling.

Meanwhile, Mexico's and Turkey's levels of wealth haven't come anywhere near that of South Korea, and yet they are considerably wealthier than the rest of the N-11, some of which remain among the poorest countries in the world. At the same time, Asian N-11 countries such as the Philippines and Vietnam have grown significantly since 2005, while Mexico's performance has been somewhat disappointing, and Egypt's even more so.

Collectively, the N-11 comprises some 1.5 billion people, and its current nominal GDP is around $6.5 trillion. In other words, while its population is slightly larger than that of China or India, its economy is about half the size of China's, but larger than Japan's and more than twice the size of India's.

These divergences help to explain why a number of new acronymic groupings have since been carved out of the N-11, including the MINT (Mexico, Indonesia, Nigeria, Turkey) and the MIST (swapping in South Korea for Nigeria). I didn't devise these groupings, but I have come to be associated with them, having produced a BBC radio documentary on the MINT countries in 2014. At any rate, they were in keeping with earlier points I had raised; namely, that by 2010, Mexico, Indonesia, South Korea, and Turkey would each account for more than 1% of global GDP.

Eight years later, the MIST economies still have a chance to account for around 2-3% of world GDP in the future. None is likely to reach the size of any of the BRIC economies, except, perhaps, Russia. Owing to its current problems, Russia's GDP is now around the same size as South Korea's. If it doesn't sort itself out soon, its GDP could fall below that of Mexico, or even Indonesia.

Of the other seven N-11 economies, Nigeria, Vietnam, and perhaps Iran stand out for having the most potential. Still, each faces serious obstacles to becoming a $1 trillion economy, never mind accounting for 2-3% of world GDP.

Looking beyond each of these countries' individual prospects, what is important for economic observers and investment professionals to understand is that the N-11 as a bloc has grown by around 4.5% so far this decade, after growing by almost 4% in the previous decade. Given the size of its output, the N-11's growth is contributing significantly to the world economy, alongside the primary drivers of China and India.

I kept reminding myself of this fact while traveling around Vietnam, where my tranquility was repeatedly interrupted by blaring headlines about US President Donald Trump's tweets and escalating violence in the Middle East.

Before heading to Vietnam, I had the privilege of writing a review for Nature of Factfulness: Ten Reasons We're Wrong About the World – and Why Things Are Better Than You Think, a brilliant book by the late physician Hans Rosling, which his daughter published posthumously this year. Factfulness is one of just a few recent works to focus on the remarkably positive things happening in the world. Rosling, along with Harvard University's Steven Pinker, was right to be optimistic. An unblinkered view of the world reveals many promising signs, especially for the global economy.

Fonte: O´NEILL, Jim. The "Next Eleven" and the World Economy <https://www.project-syndicate.org/commentary/n-11-global-economy-by-jim-o-neill-2018-04/english> Acesso em 19 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.