

REUNIÃO DE CONJUNTURA

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Fall of the American Empire (Paul Krugman – 18/06/2018)

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The U.S. government is, as a matter of policy, literally ripping children from the arms of their parents and putting them in fenced enclosures (which officials insist aren't cages, oh no). The U.S. president is demanding that law enforcement stop investigating his associates and go after his political enemies instead. He has been insulting democratic allies while praising murderous dictators. And a global trade war seems increasingly likely.

What do these stories have in common? Obviously they're all tied to the character of the man occupying the White House, surely the worst human being ever to hold his position. But there's also a larger context, and it's not just about Donald Trump. What we're witnessing is a systematic rejection of longstanding American values — the values that actually made America great.

America has long been a powerful nation. In particular, we emerged from World War II with a level of both economic and military dominance not seen since the heyday of ancient Rome. But our role in the world was always about more than money and guns. It was also about ideals: America stood for something larger than itself — for freedom, human rights and the rule of law as universal principles.

Of course, we often fell short of those ideals. But the ideals were real, and mattered. Many nations have pursued racist policies; but when the Swedish economist Gunnar Myrdal wrote his 1944 book about our “Negro problem,” he called it “An American Dilemma,” because he viewed us as a nation whose civilization had a “flavor of enlightenment” and whose citizens were aware at some level that our treatment of blacks was at odds with our principles.

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And his belief that there was a core of decency — maybe even goodness — to America was eventually vindicated by the rise and success, incomplete as it was, of the civil rights movement.

But what does American goodness — all too often honored in the breach, but still real — have to do with American power, let alone world trade? The answer is that for 70 years, American goodness and American greatness went hand in hand. Our ideals, and the fact that other countries knew we held those ideals, made us a different kind of great power, one that inspired trust.

Think about it. By the end of World War II, we and our British allies had in effect conquered a large part of the world. We could have become permanent occupiers, and/or

installed subservient puppet governments, the way the Soviet Union did in Eastern Europe. And yes, we did do that in some developing countries; our history with, say, Iran is not at all pretty.

But what we mainly did instead was help defeated enemies get back on their feet, establishing democratic regimes that shared our core values and became allies in protecting those values.

The Pax Americana was a sort of empire; certainly America was for a long time very much first among equals. But it was by historical standards a remarkably benign empire, held together by soft power and respect rather than force. (There are actually some parallels with the ancient Pax Romana, but that's another story.)

And while you might be tempted to view international trade deals, which Trump says have turned us into a "piggy bank that everyone else is robbing," as a completely separate story, they are anything but. Trade agreements were meant to (and did) make America richer, but they were also, from the beginning, about more than dollars and cents.

In fact, the modern world trading system was largely the brainchild not of economists or business interests, but of Cordell Hull, F.D.R.'s long-serving secretary of state, who believed that "prosperous trade among nations" was an essential element in building an "enduring peace." So you want to think of the postwar creation of the General Agreement on Tariffs and Trade as part of the same strategy that more or less simultaneously gave rise to the Marshall Plan and the creation of NATO.

So all the things happening now are of a piece. Committing atrocities at the border, attacking the domestic rule of law, insulting democratic leaders while praising thugs, and breaking up trade agreements are all about ending American exceptionalism, turning our back on the ideals that made us different from other powerful nations.

And rejecting our ideals won't make us stronger; it will make us weaker. We were the leader of the free world, a moral as well as financial and military force. But we're throwing all that away.

What's more, it won't even serve our self-interest. America isn't nearly as dominant a power as it was 70 years ago; Trump is delusional if he thinks that other countries will back down in the face of his threats. And if we are heading for a full-blown trade war, which seems increasingly likely, both he and those who voted for him will be shocked at how it goes: Some industries will gain, but millions of workers will be displaced.

So Trump isn't making America great again; he's trashing the things that made us great, turning us into just another bully — one whose bullying will be far less effective than he imagines.

Fonte: KRUGMAN, Paul. Fall of the American Empire. Disponível em: <<https://www.nytimes.com/2018/06/18/opinion/immigration-trump-children-american-empire.html>> Acesso em 21 de junho de 2017.

The Anatomy of Global Debt (Howard Davies – 15/06/2018)

Howard Davies, the first chairman of the United Kingdom's Financial Services Authority (1997-2003), is Chairman of the Royal Bank of Scotland. He was Director of the London School of Economics (2003-11) and served as Deputy Governor of the Bank of England and Director-General of the Confederation of British Industry.

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At the end of May, the International Monetary Fund launched its new Global Debt Database. For the first time, IMF statisticians have compiled a comprehensive set of calculations of both public and private debt, country by country, constructing a time series stretching back to the end of World War II. It is an impressive piece of work.

The headline figure is striking. Global debt has hit a new high of 225% of world GDP, exceeding the previous record of 213% in 2009. So, as the IMF points out, there has been no deleveraging at all at the global level since the 2007-2008 financial crisis. In some countries, the composition of debt changed, as public debt replaced private debt in the post-crisis recession, but that shift has now mostly stopped.

Are these large figures alarming? In aggregate terms, perhaps not. At a time when economic growth is robust almost everywhere, financial markets are relaxed about debt sustainability. Long-term interest rates remain remarkably low. But the numbers do tend to support the hypothesis that the so-called debt intensity of growth has increased: we seem to need higher levels of debt to support a given rate of economic growth than we did before. Perhaps that is partly because the growth in income and wealth inequality in developed countries has distributed spending power to those with a propensity to spend less than their income. That trend has leveled off recently, but the implications are still with us. It also seems that productivity growth has slowed, so a given quantum of investment generates less output than it used to do.

The IMF's recommendation to governments is that they should fix the roof while the sun is shining: accumulate a fiscal surplus, or at least reduce deficits, in good times so that they are better prepared for the next downturn, which will surely come before too long. The current upturn is now quite mature. That puts the IMF on a collision course with the tax-cutting United States administration and now with Italy's new government. If the Italians' grandiose plans for a minimum income and more public investment are implemented, they might soon find themselves in difficult discussions with the Fund. The team that has been in Athens for the past few years might soon be booked on a flight to Rome.

But what are the implications if the growth in debt is principally in the private sector? That is a question for the financial stability authorities in each country.

Since the crisis, new, far tougher capital requirements have been introduced for banks, and a set of macroprudential tools has been developed for regulators. The idea is that regulators should be able to "lean into the wind" of excessive credit expansions, by increasing the amount of capital a bank must hold, with the aim of dampening the supply of credit before it reaches a dangerous level. The increase might be imposed across the board, or focused on mortgage lending, for example, if growth in house prices looks worryingly rapid. Other alternatives could be to impose maximum loan-to-value limits, or minimum down payments on home purchases.

New authorities were established to oversee the use of these new macroprudential tools. The European Systemic Risk Board, chaired by European Central Bank President Mario Draghi, does the job in the European Union, and the Financial Policy Committee (FPC) of the Bank of England has domestic jurisdiction in the United Kingdom, though the Governor of the Bank of England is also Deputy Chair of the ESRB. (What will happen to that position after Brexit is unclear.) In the US, the Financial Stability Oversight Council (FSOC) is the coordinating body.

But there are important differences between them. The FPC is in some ways the most powerful of the three. It can impose a countercyclical capital buffer on UK banks, and has at times threatened to do so. For a time, the Committee took the view that unsecured personal lending was growing too fast.

The ESRB cannot act discretely, but it monitors EU and EFTA member states closely and publishes regular reports. The most recent review, last month, showed that additional buffers are in force in Sweden, Norway, Iceland, the Czech Republic, and Slovakia, in response to the particular credit conditions in those countries. France has since joined the list. In the eurozone of course, the ECB is the supervisor, so Draghi can put on a different hat and act directly, if necessary, through his own staff.

The US position is less clear. The FSOC is a coordinator, not regulator with its own powers. It is a bowl in which the alphabet soup of US financial regulators is stirred from time to time. It has no authority over its members and cannot impose countercyclical buffers. Its attempts to categorize large US insurers as globally systemic firms have been thwarted by the courts. There are those at the US Federal Reserve who wish it were otherwise, recognizing that without the support of the FSOC, which is chaired by the Treasury Secretary, they will find it hard, if not impossible, to dig into the macroprudential toolkit.

We must hope, therefore, that the Basel-based capital requirements imposed by the various US banking regulators are adequate. So far, the ratios have not been cut, though other deregulatory initiatives, proposed by Trump appointees in the relevant agencies, are in the works. Macroprudential policy may be working as intended in Slovakia, but it is unlikely to come to the rescue where it needed the most: in the world's biggest financial market.

Fonte: DAVIES, Howard. The Anatomy of Global Debt. Disponível em: <https://www.project-syndicate.org/commentary/imf-global-debt-database-findings-by-howard-davies-2018-06?a_la=english&a_d=5b23cc7578b6c70928a58d29&a_m=&a_a=click&a_s=&a_p=%2Farchive&a_li=imf-global-debt-database-findings-by-howard-davies-2018-06&a_pa=&a_ps=>> Acesso em 21 de junho de 2018.

Playing chicken over the post-Brexit Irish border (Martin Wolf – 14/06/2018)

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”.

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1066 and All That, a delicious parody of English history textbooks, remarks that “Gladstone . . . spent his declining years trying to guess the answer to the Irish Question; unfortunately, whenever he was getting warm, the Irish secretly changed the question.”

The authors were mocking this Anglo-centric perspective. For the Irish, it was always an English Question that poisoned their island’s history. After a blessed 46 years, during which relations have been managed inside the EU, the question has re-emerged. But for the first time Ireland, one of the EU27, has the bigger battalions. Unsurprisingly, the sovereignty-obsessed Brexiters do not like this.

In December 2017, both sides agreed that “the UK remains committed to protecting North-South co-operation and its guarantee of avoiding a hard border”. The question comes down to how that commitment can be fulfilled in the withdrawal agreement due this year.

The EU’s view, presented in its draft withdrawal agreement, is that “a common regulatory area comprising the Union and the United Kingdom in respect of Northern Ireland is hereby established. The common regulatory area shall constitute an area without internal borders in which the free movement of goods is ensured and North-South co-operation protected.” This implies a border between Northern Ireland and the rest of the UK, which is unacceptable to the UK. Yet Michel Barnier, the EU’s Brexit negotiator, is also right that the UK’s red lines make other solutions to the Irish border impossible.

The UK has proposed two alternatives. Theresa May, the UK prime minister, favours a “customs partnership”, in which Britain would collect duties on the EU’s behalf. The Brexiters in her cabinet favour “maximum facilitation”, a set of technical devices to minimise border checks. These proposals have four defects: the government does not agree on which is preferable; neither would work; neither would obviate all border checks; and, not least, the EU has rejected them.

The UK has also proposed a temporary “backstop”, designed to ensure a seamless border until another solution is agreed. In this proposal, the UK as a whole remains inside the tariff wall of the customs union and would continue to apply EU laws on value added tax. This would require oversight by the European Court of Justice, violating one of the reddest of Mrs May’s red lines. Yet even this would not obviate all border controls with Ireland, since regulatory checks would still be needed. The EU rejects this option, too, because it does not want any solution for Ireland to apply to the UK as a whole. Moreover, if the UK were to join the single market for goods (to eliminate those regulatory checks), it would enjoy free movement of goods without free movement of people: an anathema. So a crash lies ahead.

One possibility is that the EU will swerve. It is in the interests of the Irish government to play chicken. It is very much not in its interests to crash. The same is true for the rest of the EU. Ending up with no deal with Britain must be foolish, particularly since the EU has Donald Trump to its west, Vladimir Putin to its east and chaos in its south.

So what might an EU swerve look like? One option is to carry over the fudge of last December’s conclusion to the first phase of talks into the post-Brexit negotiations. After all, the EU would still have leverage, since the UK will need a good deal. An alternative option is to accept that the UK will remain indefinitely inside the EU’s customs, VAT and regulatory borders for goods, though not accepting all four of the freedoms.

What might a UK swerve look like? It might agree to a border in the Irish Sea (though that looks very unlikely). It might instead turn the backstop into a request to remain

indefinitely inside the EU's customs, VAT and regulatory regimes for goods. If so, both sides could be swerving towards a mutually beneficial — albeit politically difficult — deal.

I have no idea what will happen. But Sir Ivan Rogers, who resigned as the UK's representative in Brussels last year, suggests in a superb recent lecture on the lunacies of the Brexit debate, that a mutual swerve would be a good compromise. It would, indeed, be agonising. But, maybe, the UK will recognise that the ability to negotiate new trade agreements and regulatory freedom in goods are a will-o'-the-wisp: it would gain no significant benefit from either. And maybe the EU will recognise that such a deal could cement a mutually beneficial relationship with the UK, once the latter had also accepted the implications for its red lines. If this were the outcome, sensible people should welcome this generation's reconsideration of the Irish (or English) Question.

Fonte: WOLF, Martin. Debacle in Quebec. Disponível em: <<https://www.ft.com/content/0336f7ac-6f23-11e8-852d-d8b934ff5ffa>> Acesso em 21 de junho de 2018.

The Despot and the Diplomat (Christopher R. Hill – 20/06/2018)

Christopher R. Hill, former US Assistant Secretary of State for East Asia, was US Ambassador to Iraq, South Korea, Macedonia, and Poland, a US special envoy for Kosovo, a negotiator of the Dayton Peace Accords, and the chief US negotiator with North Korea from 2005-2009. He is Chief Advisor to the Chancellor for Global Engagement and Professor of the Practice in Diplomacy at the University of Denver.

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Back in 2005, when I was the United States' lead negotiator at the six-party talks on North Korea's nuclear program, I looked at the instructions I received for my first meeting, a Chinese-hosted banquet that included a North Korean delegation. If there was any toasting (not unheard of at Chinese banquets), I was not to join in. Apparently, I was expected to sit there, without touching my glass, glowering with arms folded until everyone else had placed theirs back on the table. Later, when I visited North Korea for the first time, I was instructed not to smile at my hosts. Apparently, I was expected to offer only angry stares.

Donald Trump has obviously modified those instructions. In fact, with his unending praise of Kim Jong-un's leadership, his clumsy, impromptu salute of one of Kim's generals, and his endorsement of all things North Korean (especially the potential for beachfront property development), Trump has all but abandoned any pretense that the US promotes a broader set of values. But while Trump may have overshot the mark, the idea that the US delegation should sit with glasses untouched during a toast also strikes the wrong tone.

In September 1995, during the final month of the Bosnian War, the US delegation to peace negotiations, led by Assistant Secretary of State Richard Holbrooke, arrived in Belgrade for talks with Serbia's dictator, Slobodan Milošević. According to Milošević, he could not compel the Bosnian Serbs to withdraw their heavy weapons and lift the bloody

four-year siege of Sarajevo. He asked Holbrooke to meet with the Bosnian Serb leaders, Radovan Karadžić and Ratko Mladić, both of whom were later convicted of committing war crimes. Holbrooke asked where they were. “Over there in that villa,” Milošević replied. “Can I call for them?”

Holbrooke hastily brought our delegation together for a quick parley. “Should we meet them?” he asked me. “And if we do, should I shake their hands?” Thinking about the hundreds of thousands of Sarajevans – the many who had been murdered and those facing starvation as a result of the continuing siege – I replied, “Shake their hands and let’s get this over with and go home.” We did. The siege of Sarajevo was lifted the next day.

Whether shaking a hand helps or not, negotiating while shaking a fist has little record of success. During this year’s Pyeongchang Winter Olympics, Vice President Mike Pence was scheduled to meet with the North Korean delegation. Perhaps to cover his back at home, Pence delivered what were then the usual tough-sounding talking points before the meeting. The North Koreans promptly canceled, as if to ask, What would be the point?

During the period I dealt with the six-party talks, I avoided adding my voice to the anti-North Korean invective. I knew that soon – often every other week – I would have to meet them again, and while a display of moxie might help me in Washington, it would not help at the tip of the spear, where it was my job to negotiate away the North Koreans’ nuclear ambitions. There is a big difference between talking tough on television talk shows and sitting across from the North Koreans. Direct diplomacy is a serious means to a serious end. Posturing from a distance is not part of it.

Sometimes body language is hard to get right. As US ambassador to Iraq, the instructions I received from Washington rarely came with any commensurate sense of responsibility for the outcome. I was told that my job included helping the Iraqi opposition rid themselves of then-Prime Minister Nuri al-Maliki. US officials reveled in their amped-up toughness in Washington meeting rooms, like high school athletes banging on the lockers before a big game. But when they actually came out on the field and met with Maliki, they gave him no reason to believe they wanted anything but the best for him.

I would sit in such meetings watching Maliki glance over at me, wondering why I had previously warned him of diminishing US government patience with his autocratic rule and dire consequences. Meanwhile, the visitors from Washington made points that were so subtle and nuanced that Maliki would have needed a decoding device to comprehend their real meaning.

Any diplomat must be purposeful in a negotiation on behalf of his or her country, which means being clear-eyed about the desired outcome and the best way to achieve it. In Singapore, the issue was the North Korean nuclear weapons program. Nothing else really mattered.

Time will tell whether the North Koreans reciprocate Trump’s professed affection for them. Kim gave away little, and was probably stunned when, for the first time ever, a US president accepted at face value North Korea’s supposed anxiety about US joint military exercises with South Korea (which the North Koreans know to be defensive in purpose). That was too large a concession, and, one way or another, it will have to be taken back. More broadly, a framework for peace and security that includes all the directly affected parties – South Korea, Japan, Russia, and China – will need to be designed.

Similarly, North Korea's human rights record, one of the world's worst, will have to be taken up in the future – perhaps, as I signaled during the six-party talks, as a component of eventual diplomatic relations. But, for now, the North Korean nuclear program must be at the top of any negotiating agenda.

Whether Trump's approach actually works with North Korea will depend on the diplomacy that follows the Singapore summit. Over to you, Secretary of State Mike Pompeo.

Fonte: HILL, Christopher R. The Despot and the Diplomat. Disponível em: <https://www.project-syndicate.org/commentary/diplomacy-with-despots-kim-milosevic-by-christopher-r-hill-2018-06?a_la=english&a_d=5b2a427578b6c7207c1b47f2&a_m=&a_a=click&a_s=&a_p=%2Farchive&a_li=diplomacy-with-despots-kim-milosevic-by-christopher-r-hill-2018-06&a_pa=&a_ps=>> Acesso em 21 de junho de 2018.

Toward a More Democratic Europe? (Kemal Derviş – 21/06/2018)

Kemal Derviş, former Minister of Economic Affairs of Turkey and former Administrator for the United Nations Development Program (UNDP), is Senior Fellow at the Brookings Institution.

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A year ago, Emmanuel Macron's decisive victory in the French presidential election, and his party's subsequent success in legislative elections, caused many to breathe a sigh of relief. The rising tide of extremist populism in the West, it seemed, had finally turned. That has turned out not to be the case. But the stunning emergence of a populist majority government in Italy, a founding member of the European Union, does not necessarily spell disaster.

True, populists' growing strength is threatening traditional center-right and center-left parties and making it very difficult for EU-level governance, in its current form, to function. But what if populist movements' continued electoral success helps to drive forward a broader political restructuring that ultimately strengthens European democracy?

This reading is reinforced by the experience of Macron himself. Having never held elected office, Macron created a new party centered on himself, with support from both center-left and center-right voters. He seems to have restructured French politics in the process.

Next year's European Parliament election is likely to reveal more about the potential for such political restructuring. The European Parliament has never generated the same level of interest as other European institutions, such as the Commission, the Council, or even the Court of Justice. European parliamentary debates rarely make it far outside Brussels or Strasbourg, and voter turnout to fill the body's seats has typically been low. Such facts have long been cited as evidence that the EU suffers from a democratic deficit, with citizens inadequately engaged with European-level governance.

But as a series of crises have hit the EU – affecting most acutely Greece, Ireland, Portugal, Spain, and Italy – these dynamics have been changing. Gone are the days when Europeans quietly accepted the EU, despite some complaints. Now, the EU is at the center of domestic political debates, which increasingly include existential questions about the survival of the eurozone and the entire European project.

This means that candidates in next year's election are unlikely just to focus on domestic issues. While there will be some of that, there is likely also to be, for the first time, extensive discussion about Europe's future and policies, especially in areas like migration, defense and security, energy and climate, and relations with major powers like the United States and Russia. After all, despite their differences, virtually every country in Europe is currently grappling with the question of how much Europe it wants, how open and optimistic it should be about new forms of technology-enabled globalization, and how much social solidarity is appropriate.

These discussions – and thus the European Parliament that emerges next year – are unlikely to adhere to standard party lines. After all, sticking to traditional political groupings is highly difficult nowadays, as exemplified by Macron's party – La République En Marche ! – which does not fit neatly into traditional ideological categories. Macron has put out feelers for a pan-European party. Though truly supranational politics in Europe remains uncharted terrain, it makes sense that a strongly pro-EU politician should be one of its pioneers.

Right-wing populists, as nationalist and anti-European as they may be, also seem eager to support one another at the European level, taking advantage of their common platforms on most issues, particularly immigration, cultural identity, and trade. This will be more difficult for the far left, at least in France, which combines traditionally liberal views on immigration with protectionist economic policies that look a lot like those espoused by the populist right.

Of course, the traditional center-right and center-left parties – which have lost a large share of the electorate over the last five years, particularly in Spain, Italy, France, and, to a lesser extent, Germany – will try to regain their own footing. The problem is that these parties seem outdated to many younger voters, regardless of their leaders' age. If they are to succeed, they will need to provide an inspiring new platform that convincingly addresses the issues of the today – all while contending with new political forces.

It is possible, however, that new political forces will in some cases absorb traditional center-right and center-left parties. In France, for example, Macron's party could absorb the center-right Les Républicains, or it could shift further to the left, with a social solidarity program to accompany the liberal market measures it has already taken. The question is whether the party's leaders think they can secure a simultaneous victory against Les Républicains and the center-left Socialists.

Although the details remain unclear, a thorough restructuring of the European political scene – shaped largely by attitudes toward Europe – seems certain. If the European Parliament election next year helps to advance this restructuring, this may end up constituting a large step forward for democracy in Europe.

Fonte: DERVIŞ, Kemal. Toward a More Democratic Europe?. Disponível em: <<https://www.project-syndicate.org/commentary/european-parliament-election-political-restructuring-by-kemal-dervis-2018->

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Nationalism Will Go Bankrupt (Anatole Kaletsky - 11/06/2018)

Anatole Kaletsky is Chief Economist and Co-Chairman of Gavekal Dragonomics. A former columnist at the Times of London, the International New York Times and the Financial Times, he is the author of Capitalism 4.0, The Birth of a New Economy, which anticipated many of the post-crisis transformations of the global economy.

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Nationalism versus globalism, not populism versus elitism, appears to be this decade's defining political conflict. Almost wherever we look – at the United States or Italy or Germany or Britain, not to mention China, Russia, and India – an upsurge of national feeling has become the main driving force of political events.

By contrast, the supposed rebellion of “common people” against elites has not been much in evidence. Billionaires have taken over US politics under President Donald Trump; unelected professors run the “populist” Italian government; and all over the world, taxes have been slashed on the ever-rising incomes of financiers, technologists, and corporate managers. Meanwhile, ordinary workers have resigned themselves to the reality that high-quality housing, education, and even health care are hopelessly beyond their reach.

The dominance of nationalism over egalitarianism is particularly striking in Italy and Britain, two countries once famous for their phlegmatic sense of national identity. Flags in Britain are notable for their absence even on government buildings, and until the Brexit referendum the people there were so relaxed about their nationhood that they could not even be bothered to agree on the country's name: the United Kingdom, Britain, or England, Wales, and Scotland.

Italians were even less nationalistic. Since the European Union's founding, Italians have been the biggest proponents of federalism, with opinion polls showing that, until recently, voters had more trust in EU leaders in Brussels than in their own government in Rome. Italians are passionate about their culture, history, food, and football, but their patriotism has mostly been directed to regions and cities, not to the nation state. They prefer to be ruled from Brussels than from Rome.

The far-right League party, the junior member in Italy's new coalition government, was still called the Northern League until this year. One of its favorite slogans was “Garibaldi did not unite Italy; he divided Africa,” and its main political demand was the country's abolition. Instead, the party demanded the creation of a new country called Padania that would separate the prosperous northern regions from the corruption and poverty of Rome and points south.

What, then, explains the sudden dominance of nationalism? There is not much positively patriotic about the new nationalism in Italy, Britain, or even the US. Instead, the upsurge of national feeling seems largely a xenophobic phenomenon, as famously defined by the Czech-American sociologist Karl Deutsch: “A nation is a group of people linked together by a common error about their ancestry and a common dislike of their neighbors.” Hard times – low wages, inequality, regional deprivation, and post-crisis austerity – provoke a hunt for scapegoats, and foreigners are always a tempting target.

There is nothing patriotic about Trump’s belligerence against Mexican immigrants and Canadian imports, or the nativist policies of the new Italian government, or Theresa May’s most famous statement after becoming UK Prime Minister: “If you believe you are a citizen of the world, you are a citizen of nowhere. You don’t understand what citizenship means.”

Now for some good news for those of us still proud to be “citizens of the world”: The xenophobic effort to blame economic hardship on foreigners is doomed to failure.

Consider the post-crisis effort to divert popular anger about the collapse of market fundamentalist economics onto “greedy bankers.” This ultimately failed, in part because bankers have huge resources to defend themselves, which foreigners generally do not. But banker-bashing failed to assuage public anger mainly because attacking finance did nothing to boost wages, diminish inequality, or reverse social neglect. The same will be true of the current attacks on foreign influence, whether through immigration or trade.

Britain, for example, is gradually waking up to the fact that European issues have nothing to do with the genuine political grievances that motivated a large part of the “Leave” vote. Instead, the Brexit negotiations will now dominate and distract British politics for many years, or even decades. And Britain’s nationalist confrontation with the rest of Europe will offer politicians of all parties endless excuses for failing to improve everyday life.

In the months or years ahead, voters in the US and Italy will learn the same lesson. There, too, scapegoating foreign influences, whether through trade or immigration, will do nothing to lift living standards or address the sources of political discontent.

Italy has legitimate grievances against the EU: hypocritical and inequitable policies on asylum and sea rescues, self-defeating fiscal rules, and economically illiterate financial policies. But the new government is also exploiting the nationalist upsurge to attack reforms that have nothing to do with Europe and are vital to Italy’s economic success.

Successive Italian governments since the financial crisis have gradually laid the foundations for pension, labor market, and banking reforms. These changes have created the conditions for economic recovery, which began last year, following a decade of recession; but they have been politically unpopular and are now being denounced as symbols of elitist foreign oppression. If the new government abandons all three reform projects, Italians can also abandon hope of economic recovery, perhaps for another decade.

The US will also discover that attacking foreign interests is no panacea and can make hardship worse. Trump thinks his measures against imports from China, Germany, and Canada will hurt these trading partners and create American jobs. This might have been true when the US economy was suffering weak growth and deflation. But in a world of strong demand and rising inflation, German and Chinese exporters will find new markets for their products, whereas US manufacturers will struggle to replace foreign suppliers. BMW and Huawei will be just fine, whereas tariffs will act as a tax on American consumers, through

higher prices, and on American workers, businesses, and homeowners, through rising interest rates.

The opposite of populist nationalism is not globalist elitism; it is economic realism. And in the end, reality will win.

Fonte: KALETSKY, Anatole. Nationalism Will Go Bankrupt. Disponível em: <https://www.project-syndicate.org/commentary/nationalism-fails-to-lift-living-standards-by-anatole-kaletsky-2018-06?a_la=english&a_d=5b2a47d778b6c7207c21a66c&a_m=&a_a=click&a_s=&a_p=%2Fsection%2Feconomics&a_li=nationalism-fails-to-lift-living-standards-by-anatole-kaletsky-2018-06&a_pa=section-commentaries&a_ps=>> Acesso em 21 de junho de 2018.

Why Markets and Political Scientists Disagree on the G7 (Mohamed A. El-Erian – 19/06/2018)

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To say that this month's summit of G7 leaders in Canada was an unusual one would be an understatement. A traditionally friendly and predictable gathering of like-minded countries was marred by finger-pointing and disagreement, resulting in an inability to achieve consensus on a final communiqué. But, while political analysts were quick to declare the end of the G7's coherence, integrity, and usefulness, markets were unfazed. In fact, the longer-term outcome may well prove markets right, albeit with some important qualifications.

Participants at the G7 summit reportedly clashed over issues like climate change and the possibility of readmitting Russia. But the highly publicized discord was fueled mainly by disagreements over the effects of trade among the members. Those disagreements – amplified by persistent differences on basic facts – impeded progress in other areas where greater consensus might have been possible, including Iran, some other Middle East issues, North Korea, migration, and refugee relief.

Representatives of the United States accused the other G7 members of “unfair trade practices,” which they claim have disproportionately harmed the US economy and its workers. The rest of the G7 – all traditional US allies – confronted President Donald Trump with data that they hoped would prove that trade had been highly beneficial to all countries.

But the US held firm to its stance. Without concessions from its trading partners, including more reciprocity, the US, its government representatives unequivocally declared, would implement new tariffs on imports from Canada, the European Union, and Japan.

This approach marks a sharp departure from the past, and another shock to the establishment and expert opinion. While some tweaks to trade relations are needed, in the past such changes would have been pursued in an orderly and cooperative fashion – not under constant and growing tariff pressure. Instead, the major economies of the geopolitical West seem set to engage in a tit-for-tat tariff dispute that could escalate into a full-blown trade war harming all of its members.

But it is not only other Western economies that had the US up in arms. The Trump administration is pressuring China to address intellectual-property theft and to reduce non-tariff barriers (such as joint-venture requirements). Here, all other G7 members agree that America's grievances are legitimate, and that they are being harmed as well.

Yet, given conflict over intra-G7 trade, the group was unable to unite on a comprehensive and coordinated response to China. The summit was followed by an escalation of the trade dispute between China and the US, compounding the uncertainty now jeopardizing a synchronized growth pickup that, owing to insufficient policy reforms, is already running out of steam in many countries other than the US.

The failed G7 summit dealt a very public blow to a once-powerful grouping that had already been challenged by global economic re-alignment, the emergence of the more representative G20, and new forms of regionalism. So it is perhaps not surprising that some political scientists have declared the end of the G7. Yet, when markets opened on Monday morning, they were utterly unaffected by the weekend's developments; for them, the G7 summit had essentially been a non-event.

On one level, this disparity can be explained by the fact that G7 infighting will have only a small and narrow impact on growth, especially compared to factors like monetary policy. More fundamentally, markets have been conditioned to postpone significant price adjustments until there is overwhelming evidence of negative economic and financial effects. In recent years, markets have faced an unusually large (and expanding) set of unconventional political statements and maneuvers. But, for the most part, the rhetoric has not been translated into reality, and what actions have been taken proved largely inconsequential for economic activity and asset prices.

That was true of Trump's rhetorical sparring match last year with North Korean leader Kim Jong-un, which some political analysts predicted would lead to armed conflict. It was also the case with rising Russian revanchism, which some viewed as a precursor to a disruptive new cold war, and the electoral success of Euroskeptic and populist parties in the European Union, which some declared would lead to the EU's dissolution.

For markets, waiting for strong evidence of an economic impact, rather than reacting to every statement or event, has proved profitable. That is likely to be the right approach for the G7 summit, too – and not just because the body's impact on global outcomes has diminished in recent years. Given the large number of long-standing economic, financial, institutional, political, and social links among the G7's members – all of which act as stabilizers – this month's summit may well be followed by a more congenial and constructive one.

The G7 has not been dealt a fatal blow; it still can and will play a role on the global stage – albeit a less important one. But that does not mean that the debacle in Canada will be cost-free. G7 members lost a valuable opportunity to develop common positions on issues about which they could agree, and the rest of the world was shown more evidence that the global system's long-standing core-periphery relations are no longer reliably buttressed by unity among established economic and financial powers. At a time of considerable political and social fluidity, destabilizing the remaining anchors represents a risk to the system as a whole.

Fonte: EL-ERIAN, Mohamed A. Why Markets and Political Scientists Disagree on the G7. Disponível em: <https://www.project-syndicate.org/commentary/markets-g7-response-trade-by-mohamed-a--el-erian-2018-06?a_la=english&a_d=5b28c4d478b6c7207c49b84e&a_m=&a_a=click&a_s=&a_p=%2Fsection%2Feconomies&a_li=markets-g7-response-trade-by-mohamed-a--el-erian-2018-06&a_pa=section-commentaries&a_ps=>> Acesso em 21 de junho de 2018.

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