

**REUNIÃO DE CONJUNTURA**

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## The Art of Wait and See (Keyu Jin – 11/07/2019)

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Following yet another "truce" between US President Donald Trump and Chinese President Xi Jinping, Sino-American negotiations over trade, technology, and related issues appear to be back on. But those hoping for a respite in the escalating rivalry should not hold their breath.

Those now hoping for an eventual trade deal between China and the United States should not hold their breath. Contrary to what US President Donald Trump seems to think, the Chinese have not reached their wits' end, and will not suddenly accede to his demands.

A successful negotiation usually requires that each side understand the other's perspective. One can question the wisdom of China's approach to the dispute thus far, but without a deeper apprehension of the country's short- and long-term thinking, little progress will be made.

Trump's supporters insist that he should be taken seriously, not literally. Chinese leaders seem to agree. They have shrugged off the Trump administration's excessive and unreasonable demands, but harbor little doubts about its intent: to keep China down. That objective has little to do with specific business concerns, and may even derive from "civilizational" – if not racist – hostility. The Chinese thus have had to adjust their strategic calculus, both in the short and long run.

Beyond the latest "truce" between Trump and Chinese President Xi Jinping, China's overall approach to the trade dispute is to play it cool. The Chinese have realized with hindsight that appearing too eager for a deal made them look weak and vulnerable during the earlier stages of the conflict. They now know that if you give Trump an inch, he will try to take a mile. After China offered major concessions in the last round of talks in May, the US threatened to impose still more tariffs on Chinese exports; and even with the new truce, existing tariffs remain in place.

The Chinese government would hate nothing more than to resemble the court of the Qing Dynasty in its decline. Hence, its current wait-and-see strategy is premised on two judgments. First, the Chinese have concluded that Trump's flailing truculence will continue to wreak havoc on the US economy, potentially forcing him to back off in the run-up to the 2020 US presidential election.

Second, the Chinese know that Trump's recent declaration of victory over Mexico was an act of theater in response to growing market jitters; the latest US-Mexico deal was based almost entirely on previously concluded agreements and fictitious Mexican concessions that exist only in Trump's Twitter account. At any rate, China is not going to rush to make concessions when market unease could force a change in the US position at any moment.

More to the point, given Chinese leaders' doubt that the Trump administration's real interest is in making a deal, rather than in undercutting China's economy, they will have prepared for another breakdown in the negotiations. To manage the economic costs of the trade war, China has already activated a number of compensatory levers, many of which are not available to the US. These include fiscal and monetary stimulus, measures to encourage more lending, and a strengthening of the Chinese financial system. And this, in turn, has allowed for a weakening of the renminbi to offset the competitive disadvantage stemming from tariffs.

In the emerging Chinese view, any leverage or advantage the US has over China in trade is far exceeded by the Chinese people's willingness to withstand the pressure. They will make the sacrifices necessary to maintain national pride and avoid the appearance of subservience to the West. This patriotic impetus has been fueled further by studying the US-Japanese trade conflict of the 1980s.

"Know your enemy and know yourself," wrote Sun Tzu in *The Art of War*, "and you won't lose a single battle out of a hundred." Over the years, Chinese leaders have heeded this advice, going to great lengths to understand the internal political dynamics of the US. They know that Trump is tapping into deep-seated domestic fears of China, and that this must be met with strategic realignment, rather than mere tactical management.

Accordingly, the Chinese have accepted that preparing for a protracted trade war will require more than just domestic economic policies and an attitude of self-reliance. China also needs to make new friends and appease former foes, which is why it is mending fences with Japan and – thanks to Trump – Russia. Xi's Belt and Road Initiative (BRI) of investment and infrastructure projects across Eurasia would not be possible without the Kremlin's implicit consent. As a sign of China and Russia's deepening cooperation, a Russian gas pipeline originally heading to Japan has now been rerouted to China.

At the same time, China is taking advantage of doubts about Western liberalism by pushing a new worldview of its own. The West's vulnerability has been exposed by its slow economic recovery since the 2008 financial crisis, declining life expectancy among some cohorts, stagnant standards of living, and the breakdown of traditional alliances. In exporting an alternative agenda, China is unapologetically advocating increased state intervention to improve livelihoods, as well as a value system that ranks collective welfare above individual desires. It is also making efforts to bypass or otherwise mitigate the effects of the exclusionary military alliances that underpin the Western-led order.

Still, China cannot simply write off economic and trade relations with the US. At some point, it will need to contribute to the global trading system in equal measure to what it has gained from that system. This may mean importing more and getting serious about intellectual-property protection. But in the near term, it is unrealistic to expect China to change its laws or abandon its development model, as the Trump administration is demanding.

The US, for its part, should consider the Chinese perspective. China, a 5,000-year-old civilization, knows that those desperate for a deal will end up losing in the end, while those who remain patient and aloof will come out on top. That stance will guide China's strategy, both in the near term and in the years to come.

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**Fonte:** JIN, Keyu. The Art of Wait and See. Disponível em: <[https://www.project-syndicate.org/commentary/china-us-trade-war-strategy-by-keyu-jin-2019-07?a\\_la=english&a\\_d=5d26fc360022690d90bd9807&a\\_m=&a\\_a=click&a\\_s=&a\\_p=%2Farhive&a\\_li=china-us-trade-war-strategy-by-keyu-jin-2019-07&a\\_pa=&a\\_ps=>](https://www.project-syndicate.org/commentary/china-us-trade-war-strategy-by-keyu-jin-2019-07?a_la=english&a_d=5d26fc360022690d90bd9807&a_m=&a_a=click&a_s=&a_p=%2Farhive&a_li=china-us-trade-war-strategy-by-keyu-jin-2019-07&a_pa=&a_ps=>)> Acesso em 11 de julho de 2019.

## **Does the G20 Still Matter? (Jim O’Neill – 10/07/2019)**

*Jim O’Neill, a former chairman of Goldman Sachs Asset Management and a former UK Treasury Minister, is Chair of Chatham House.*

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The first few gatherings of the G20, at the height of the global financial crisis, yielded concrete results, and seemed to promise an auspicious future for global governance. But in the years since, the group has increasingly replaced action with empty talk, piling ever more goals on top of the unmet objectives of summits past.

When the G20 leaders held their first summit in late 2008, many welcomed what looked like a diverse, highly representative new forum for crafting common solutions to global problems. The group acquitted itself well in responding to the global financial crisis, and, for a while, its emergence as a forum for international policy coordination seemed like one of the only silver linings of that mess.

I was certainly among those applauding the G20’s initial achievements. Since 2001, when I identified the rise of the BRIC countries (Brazil, Russia, India, and China) as a key feature of the twenty-first-century world economy, I had been calling for a major overhaul of global-governance structures. As I argued at the time, the continued dominance of the G7 (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States) was increasingly out of step with the complex world of the early 2000s. To this day, the G7’s exclusion of China is a glaring omission, made worse by the presence of so many European countries, most of which share a currency and abide by the same fiscal- and monetary-policy rules.

Unfortunately, following the G20’s summit in Osaka, Japan, last month, I cannot help but wonder whether that gathering, too, has lost its purpose. Indeed, the only relevant development to come from the summit was a agreement on the sidelines between US President Donald Trump and Chinese President Xi Jinping, who brokered yet another “truce” in their countries’ trade war.

Part of the problem, of course, is that global governance in general has been marginalized, now that the US has abdicated its role as the custodian of the international order. But there are also issues with the G20 itself. On one hand, the group looks like an appropriate vehicle for facilitating global dialogue. Its membership represents around 85% of global GDP and comprises most of the leading emerging economies, including those that have not adopted Western-style liberal democracy. With the exception of Nigeria, Africa’s largest economy and most populous country, the countries that one would expect to have a

seat at the table do. And in the future, one could imagine Vietnam and a few others joining them.

On the other hand, while the G20 has been very good at issuing grandiose communiqués to acknowledge the existence of global challenges, it has proven utterly incapable of advancing any solutions to them. To be sure, one could argue that it isn't realistic to expect a bunch of bureaucrats to fix everything that is broken in the world. If anything, it is the duty of activists, entrepreneurs, and other creative thinkers to pressure and persuade political leaders on the need for change. And yet, when it comes to problems that can be addressed only cooperatively at the global level, there is no alternative to bodies like the G20. Even if political leaders have adopted all the right ideas, they still need a forum for turning those ideas into coordinated policies.

To my mind, there are two barriers standing in the G20's way. First, though it is representative, it is also far too large. As I have argued since 2001, what the world really needs is a more representative G7, comprising the US, Japan, the European Union, and the BRIC countries. This new grouping would reside within the G20 and represent three-quarters of global GDP. While Canada and a post-Brexit UK would lose some of their current influence, they would have no less of it than similarly situated countries such as Australia. At any rate, they need not worry: there is no reason to expect a diplomatic overhaul of this scale anytime soon.

The G20's second deficiency is that it (as well as the G7) lacks an objective framework through which to set goals and measure progress toward them. Since the group's initial success a decade ago, its agenda has been fluid, with each host country adding something new to the mix at every annual gathering. In the case of the Osaka summit, the Japanese government introduced the goal of universal health care.

No one doubts that universal health care is a worthy cause. But nor has the G20 actually done anything to help individual member states expand the provision of health care. Worse, the time spent paying lip service to this new objective could have been used to discuss outstanding issues such as antimicrobial resistance, which was added to the G20 agenda in 2016. The language about AMR in the latest communiqué was notably similar to that of previous summits, which suggests that little progress has been made.

Meanwhile, the market for new antibiotics is deteriorating rapidly. Without a concerted international response, drug-resistant superbugs could take ten million lives per year by 2050, resulting in a cumulative loss of around \$100 trillion in global output. What the world needs now is action, not empty words.

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**Fonte:** O'NEILL, Jim. Does the G20 Still Matter? Disponível em: <[https://www.project-syndicate.org/commentary/does-the-g20-still-matter-by-jim-o-neill-2019-07?a\\_la=english&a\\_d=5d25ad33db632317187d8e72&a\\_m=&a\\_a=click&a\\_s=&a\\_p=%2Farchive&a\\_li=does-the-g20-still-matter-by-jim-o-neill-2019-07&a\\_pa=&a\\_ps=](https://www.project-syndicate.org/commentary/does-the-g20-still-matter-by-jim-o-neill-2019-07?a_la=english&a_d=5d25ad33db632317187d8e72&a_m=&a_a=click&a_s=&a_p=%2Farchive&a_li=does-the-g20-still-matter-by-jim-o-neill-2019-07&a_pa=&a_ps=)> Acesso em 10 de julho de 2019.

## **How to Adress Venezuela's Crushing Debt Burden (Ricardo Hausman, Alejandro Grisanti e José Ignacio Hernández– 10/07/2019)**

*Ricardo Hausmann, professor and Director of the Growth Lab at Harvard University, was recently appointed Governor for Venezuela at the Inter-American Development Bank.*

*Alejandro Grisanti is a director of Venezuelan state oil company PDVSA's Ad Hoc Board and founder of the consulting firm Ecoanalítica.*

*José Ignacio Hernández has been named Special Attorney General by the Venezuelan National Assembly.*

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The legacy of Chávismo includes a mountain of foreign-currency-denominated claims against the Venezuelan public sector, totaling \$150 billion, almost all of which is now in default. When Nicolás Maduro finally leaves power, how can these claims be settled while meeting the country's desperate need for humanitarian relief and economic recovery?

When he finally leaves the political stage in Venezuela, Nicolás Maduro will leave behind a grim legacy of oppression, suffering, and economic devastation. He will also leave a mountain of foreign-currency-denominated claims against the Venezuelan public sector – almost all of which is now in default – totaling over \$150 billion. It will fall to Venezuela's interim government to move promptly to arrest the deep humanitarian crisis, restore the country's shattered economy, and deal with these gargantuan legacy debts. All three efforts must be attempted simultaneously. None will be easy.

To provide guidance about what to expect when the debt-restructuring process begins, the National Assembly and the interim government released a white paper describing the broad policies that the interim government expects to follow as it tackles the debt. Of course, no restructuring of these claims can begin until the interim government assumes control of the state machinery in Venezuela and the international economic sanctions that have been imposed on the Maduro regime are lifted. When that day arrives, four main principles will guide the settlement of legacy commercial claims.

First, the settlement should be as comprehensive as possible. Maduro and his predecessor, Hugo Chávez, managed to incur liabilities to an astonishingly diverse group of creditors: banks, bondholders, unpaid suppliers, arbitration award holders, expropriated investors, and various others. Unlike most of the sovereign debt workouts over the last 40 years, this will not be a restructuring of exclusively bond indebtedness or commercial bank loans. All legacy commercial claims, whatever their origin, will need to be addressed as part of Venezuela's economic recovery program.

Second, only reconciled claims will be eligible to participate in the debt restructuring. Many of the liabilities incurred by the regime will be relatively easy to verify and quantify. The circumstances surrounding the incurrence of other liabilities, however, are opaque; in this context, opacity arouses suspicion. The interim government expects to appoint a claims reconciliation agent whose task will be to weed out corrupt, fraudulent, or inflated claims against Venezuelan public-sector entities before the debt restructuring begins. The Venezuelan people, multilateral supporters of Venezuela's economic recovery, and

Venezuela's other commercial creditors will all insist that this culling process be carried out efficiently and transparently.

Third, once claims have been reconciled and quantified for the purposes of the restructuring, those making claims will be eligible to participate in the debt restructuring on equal terms with all other reconciled claims. With very limited exceptions, no special treatment will be accorded to claims based on their provenance (bond, loan, unpaid invoice, damages for an expropriation, and so on), the domicile or character of the holder (institutional or retail creditors), the identity of the original public-sector obligor, whether the claim had previously been reduced by a judicial decision, or otherwise.

In any exercise of this kind, preferential treatment given to one category of claimant necessarily results in a proportional disadvantage to all the other claimants. The inter-creditor rivalry and resentment engendered by such discrimination could be fatal to a comprehensive debt-restructuring program of the type that Venezuela must soon undertake.

Fourth, the interim government will need a program with the International Monetary Fund in order to access the financing from both official and private-sector sources that will be essential for Venezuela's economic recovery. That program will include a projection by the IMF regarding the level of debt that the Venezuelan economy can reasonably be expected to carry over the medium term. It will be of vital importance that the eventual settlement of Chávez/Maduro-era claims be consistent with those projections and not jeopardize Venezuela's compliance with its IMF program.

The objective of these four principles is to streamline a process that might otherwise be paralyzingly complicated, dangerously protracted, and deeply divisive. No one is naive enough to expect that the restructuring of the Chávez/Maduro-era debt will be easy or pleasant. The interim government is committed, however, to ensuring that it is fair and transparent.

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**Fonte:** HAUSMANN, Richard; GRISANTI, Alejandro; HERNÁNDEZ, José Ignacio. How to Address Venezuela's Crushing Debt Burden. Disponível em: <[https://www.project-syndicate.org/commentary/how-to-address-venezuela-debt-burden-by-ricardo-hausmann-et-al?a\\_la=english&a\\_d=5d25aa68db63231718404b09&a\\_m=&a\\_a=click&a\\_s=&a\\_p=%2Farchive&a\\_li=how-to-address-venezuela-debt-burden-by-ricardo-hausmann-et-al&a\\_pa=&a\\_ps=>](https://www.project-syndicate.org/commentary/how-to-address-venezuela-debt-burden-by-ricardo-hausmann-et-al?a_la=english&a_d=5d25aa68db63231718404b09&a_m=&a_a=click&a_s=&a_p=%2Farchive&a_li=how-to-address-venezuela-debt-burden-by-ricardo-hausmann-et-al&a_pa=&a_ps=>)> Acesso em 10 de julho de 2019.

## **Is Plutocracy Really the Problem? (J. Bradford DeLong – 09/07/2019)**

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After the 2008 financial crisis, economic policymakers in the United States did enough to avert another Great Depression, but fell far short of what was needed to ensure a strong

recovery. Attributing that failure to the malign influence of the plutocracy is tempting, but it misses the root of the problem.

Why did the policy response to the Great Recession only partly reflect the lessons learned from the Great Depression? Until recently, the smart money was on the answers given by the *Financial Times* commentator Martin Wolf and my Berkeley colleague Barry Eichengreen. Each has argued that while enough was remembered to prevent the 1929-size shock of 2008 from producing another Great Depression, many lessons were plowed under by a rightward ideological shift in the years following the crisis. Since then, the fact that the worst was avoided has served as an alibi for a suboptimal *status quo*.

Now, Nobel laureate economist Paul Krugman has offered an alternative explanation: plutocracy. At the start of the 2010s, the top 0.01% – 30,000 people around the world, half of them in the United States – cared little about high unemployment, which didn't seem to affect them, but were greatly alarmed by government debt. They began demanding austerity, and, as Krugman contends, “the political and media establishment internalized the preferences of the extremely wealthy.”

Would the US economy of the 2010s have been materially different if the share of total income accruing to the top 0.01% had not quadrupled in recent decades, from 1.3% to 5%? Krugman certainly thinks so. “While vigilance can mitigate the extent to which the wealthy get to define the policy agenda,” he writes, “in the end big money will find a way – unless there's less big money to begin with.” Hence, curbing plutocracy should be America's top priority.

In fact, big money does *not* always find a way, nor does its influence necessarily increase as the top 0.01% captures a larger share of total income. Whether the average plutocrat has 1,000 or 50,000 times more than the average worker makes little difference in this respect. More to the point, big money wasn't the primary determinant of whether policymakers heeded or forgot the lessons of the Great Depression.

For example, one lesson from that earlier episode is that high unemployment is extremely unhealthy for an economy and society; a depression is not, as the early twentieth-century economist Joseph Schumpeter once claimed, a “good, cold douche” for the economy. But this lesson was forgotten only by a lunatic fringe, some of whom suggested that the Great Recession was needed to shift workers out of bloated sectors such as home construction.

As for lessons that were forgotten, one is that persistent ultra-low interest rates means the economy is still short of safe, liquid stores of value, and thus in need of further monetary expansion. During and after the Great Recession, denying this plain truth and calling for an end to stimulus became a litmus test for any Republican holding or seeking office. Worse, these politicians were joined by an astonishingly large number of conservative economists, who conveniently seemed to forget that the short-term safe interest rate is a good thermometer for the economy.

To be sure, “big finance” did play a role here, by insisting that the Fed was trying to push value away from “fundamentals,” even though economic fundamentals are generally whatever the Fed says they are. But an even more obvious culprit was hyper-partisanship.

Another lesson is that printing or borrowing money to buy stuff is an effective means for governments to address worryingly high unemployment. After 2009, the Obama administration effectively rejected this lesson, in favor of the logic of austerity, even though

the unemployment rate was still 9.9%. A related lesson is that high levels of government debt need not lead to price instability or an inflationary spiral. As John Maynard Keynes argued in January 1937, “The boom, not the slump, is the right time for austerity at the Treasury.” Unfortunately, in the early 2010s, those of us who recalled this lesson were consigned to the margins of debate.

Yet, here, big-money influence was a secondary problem compared to the Democratic Party’s broader surrender to neoliberalism, which started under President Bill Clinton, but reached its apotheosis in the Obama era. After all, the plutocracy itself profits when money is cheap and lending is dear.

The larger issue, then, is an absence of alternative voices. If the 2010s had been anything like the 1930s, the National Association of Manufacturers and the Conference Board would have been aggressively calling for more investment in America, and these arguments would have commanded the attention of the press. Labor unions would have had a prominent voice as advocates for a high-pressure economy. Both would have had very powerful voices inside the political process through their support of candidates.

Did the top 0.01% put something in the water to make the media freeze out such voices after 2008? Did the ultra-wealthy create our modern campaign-finance system, in which elite social networks and door-to-door canvassing are less important than a candidate’s fund-raising totals? The problem is not so much that the plutocracy has grown stronger as that countervailing powers have disappeared. After all, there are wealthy donors and philanthropists on the left as well as the right, and some billionaires have even started to demand that they be taxed more.

Of course, the political implications of plutocracy are dangerous and destructive. In the US, Olin money has captured the judiciary, Koch money has misinformed the public about global warming, and Murdoch money routinely terrifies retirees about immigrants. But just because the public sphere is tainted and skewed by plutocratic influence does not mean that more rational policymaking is doomed. Once we are aware of the problem, we can begin to work around it.

Krugman admits as much when he warns “centrist politicians and the media ... not to pull another 2011, treating the policy preferences of the 0.1% as the Right Thing as opposed to, well, what a certain small class of people want.” For journalists, academics, elected officials, and concerned citizens generally, the first task is to ask oneself everyday: Whose voices are getting more attention than they deserve, and who isn’t being heard at all? Ultimately, it is the public that will decide the fate of the public sphere.

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**Fonte:** DELONG, J. Bradford. Is Plutocracy Really the Problem? Disponível em: <[https://www.project-syndicate.org/commentary/krugman-plutocracy-economic-policy-by-j-bradford-delong-2019-07?a\\_la=english&a\\_d=5d239a5e447c7f352021ecdd&a\\_m=&a\\_a=click&a\\_s=&a\\_p=%2Farhive&a\\_li=krugman-plutocracy-economic-policy-by-j-bradford-delong-2019-07&a\\_pa=&a\\_ps=](https://www.project-syndicate.org/commentary/krugman-plutocracy-economic-policy-by-j-bradford-delong-2019-07?a_la=english&a_d=5d239a5e447c7f352021ecdd&a_m=&a_a=click&a_s=&a_p=%2Farhive&a_li=krugman-plutocracy-economic-policy-by-j-bradford-delong-2019-07&a_pa=&a_ps=)> Acesso em 09 de julho de 2019.

## The Central Banker Europe Needs (Barry Eichengreen – 09/07/2019)

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While having a president with specialized training as a monetary economist would benefit the European Central Bank, such training is not essential. If Christine Lagarde is confirmed for the position, Europe will learn that other attributes matter much more.

The selection of the International Monetary Fund's managing director, Christine Lagarde, to succeed Mario Draghi as the next president of the European Central Bank caught most observers by surprise. Now the critics are making up for lost time. Some commentators object that Lagarde lacks experience as a central banker. Others complain that she lacks an advanced degree in economics.

*Politico* reports that "the tightly knit central banking fraternity ... is aghast." Whether this is an exaggeration is unclear, given a lack of supporting evidence. But if the central banking fraternity really does have qualms, then it's important to consider their arguments.

As a card-carrying member of the economics profession, I might be expected to join those who find fault with Lagarde's lack of a PhD. There is no question that, all else being equal, technical training helps. With the development of high-tech financial markets, the conduct of monetary policy has become increasingly complex.

Past practices provide little guidance for formulating monetary policy today. Given the unprecedented decline of real interest rates, central bankers are more likely to find themselves at the zero lower bound, where conventional monetary policy is impotent. That means they have to understand the alternative mechanisms – the signaling, portfolio-balance, and risk-taking channels – through which unconventional policies work.

But, while having a president with specialized training as a monetary economist would benefit the ECB, is such training essential? In appointing Jerome Powell, who similarly lacks a PhD in economics, US President Donald Trump didn't think so (though Trump's recent remarks suggest that he may now regret Powell's appointment). Draghi's predecessor at the ECB, Jean-Claude Trichet, also lacked a doctorate in economics. Yet having higher degrees in political science and state administration didn't prevent him from becoming an effective central banker.

The critical attribute is not the diploma but, rather, the capacity to recognize sound economic arguments and advice. This in turn presupposes the ability to identify qualified professional colleagues. Here, Lagarde's appointment, in her IMF years, of a pair of top-flight chief economists, Maurice Obstfeld and Gita Gopinath, and her long cooperation with a third, Olivier Blanchard (appointed by her predecessor, Dominique Strauss-Kahn), is reassuring. So, too, is the fact that the IMF under Lagarde was prepared to change course in light of their advice. The leading example, though there are others, was the Fund's critical postmortem on the merits of austerity, adopted with impetus from Blanchard's analytical work.

As ECB president, Lagarde would have an able chief economist in Philip Lane, formerly of the Bank of Ireland, and a talented staff. The record suggests that, if she is confirmed for the job, she will lean on them heavily.

The more substantial worry is that Lagarde has no prior experience as a central banker. Powell, like Lagarde, may lack a PhD in economics, but he served on the Federal Reserve Board for six years before assuming the chairmanship. Trichet served as governor of the Bank of France before heading the ECB. Both therefore had extensive exposure to the details of monetary policy and were familiar with the culture of central banks.

The IMF's culture and concerns are different, as are its day-to-day operations. But decisions by the Fund, like decisions by a central bank, are reached through a process of debate and deliberation informed by technical background papers prepared by staff. Consensus is encouraged, but dissent is countenanced. Governments, not central banks, may be IMF members, but IMF surveillance has always been centrally concerned with monetary policy. When IMF staff go into the field, they always consult with central banks.

An IMF managing director, therefore, will necessarily have some exposure to the nuts and bolts of monetary policy. As for exposure to central banks' culture, Lagarde will be familiar with monetary policymakers and their intellectual and personal quirks through participation in meetings of the Bank for International Settlements, the G7, and the G20, not to mention the IMF's own annual meetings.

Then there is what else Lagarde brings to the table. First, she has political skills that will be useful in a period when the coordination of monetary and fiscal policies is at the center of policy debate. Second, she has experience heading a national treasury, the agency responsible for the fiscal policies in question. Third, her international experience will be helpful in an environment where the cross-border spillovers of monetary policy matter more than ever.

Finally, Lagarde brings an avowed concern with gender balance. *Politico*'s reference to the central banking "fraternity" is revealing. Whether women make better central bankers is debatable, of course. What is clear is that an overwhelmingly male-dominated central bank board will have a legitimacy problem with half the population. In addition, broadening monetary leadership beyond that traditional fraternity arguably is one way to address the groupthink from which many central banks suffer.

In this context, it is worth observing that the ECB is one of the most male-dominated central banks in the world. One suspects that with Lagarde at the helm, that won't last for long.

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**Fonte:** EICHENGREEN, Barry. The Central Banker Europe Needs. Disponível em: <[https://www.project-syndicate.org/commentary/in-defense-of-lagarde-for-ecb-president-by-barry-eichengreen-2019-07?a\\_la=english&a\\_d=5d248310db63231718b31ca4&a\\_m=&a\\_a=click&a\\_s=&a\\_p=%2Farchive&a\\_li=in-defense-of-lagarde-for-ecb-president-by-barry-eichengreen-2019-07&a\\_pa=&a\\_ps=](https://www.project-syndicate.org/commentary/in-defense-of-lagarde-for-ecb-president-by-barry-eichengreen-2019-07?a_la=english&a_d=5d248310db63231718b31ca4&a_m=&a_a=click&a_s=&a_p=%2Farchive&a_li=in-defense-of-lagarde-for-ecb-president-by-barry-eichengreen-2019-07&a_pa=&a_ps=)> Acesso em 09 de julho de 2019.

## What's Driving Populism? (Dani Rodrik – 09/07/2019)

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If authoritarian populism is rooted in economics, then the appropriate remedy is a populism of another kind – targeting economic injustice and inclusion, but pluralist in its politics and not necessarily damaging to democracy. If it is rooted in culture and values, however, there are fewer options.

Is it culture or economics? That question frames much of the debate about contemporary populism. Are Donald Trump's presidency, Brexit, and the rise of right-wing nativist political parties in continental Europe the consequence of a deepening rift in values between social conservatives and social liberals, with the former having thrown their support behind xenophobic, ethno-nationalist, authoritarian politicians? Or do they reflect many voters' economic anxiety and insecurity, fueled by financial crises, austerity, and globalization?

Much depends on the answer. If authoritarian populism is rooted in economics, then the appropriate remedy is a populism of another kind – targeting economic injustice and inclusion, but pluralist in its politics and not necessarily damaging to democracy. If it is rooted in culture and values, however, there are fewer options. Liberal democracy may be doomed by its own internal dynamics and contradictions.

Some versions of the cultural argument can be dismissed out of hand. For example, many commentators in the United States have focused on Trump's appeals to racism. But racism in some form or another has been an enduring feature of US society and cannot tell us, on its own, why Trump's manipulation of it has proved so popular. A constant cannot explain a change.

Other accounts are more sophisticated. The most thorough and ambitious version of the cultural backlash argument has been advanced by my Harvard Kennedy School colleague Pippa Norris and Ronald Inglehart of the University of Michigan. In a recent book, they argue that authoritarian populism is the consequence of a long-term generational shift in values.

As younger generations have become richer, more educated, and more secure, they have adopted "post-materialist" values that emphasize secularism, personal autonomy, and diversity at the expense of religiosity, traditional family structures, and conformity. Older generations have become alienated – effectively becoming "strangers in their own land." While the traditionalists are now numerically the smaller group, they vote in greater numbers and are more politically active.

Will Wilkinson of the Niskanen Center recently made a similar argument, focusing on the role of urbanization in particular. Wilkinson argues that urbanization is a process of spatial sorting that divides society in terms not only of economic fortunes, but also of cultural values. It creates thriving, multicultural, high-density areas where socially liberal values predominate. And it leaves behind rural areas and smaller urban centers that are increasingly uniform in terms of social conservatism and aversion to diversity.

This process, moreover, is self-reinforcing: economic success in large cities validates urban values, while self-selection in migration out of lagging regions increases polarization further. In Europe and the US alike, homogenous, socially conservative areas constitute the basis of support for nativist populists.

On the other side of the argument, economists have produced a number of studies that link political support for populists to economic shocks. In what is perhaps the most famous among these, David Autor, David Dorn, Gordon Hanson, and Kaveh Majlesi – from MIT, the University of Zurich, the University of California at San Diego, and Lund University, respectively – have shown that votes for Trump in the 2016 presidential election across US communities were strongly correlated with the magnitude of adverse China trade shocks. All else being equal, the greater the loss of jobs due to rising imports from China, the higher the support for Trump.

Indeed, according to Autor, Dorn, Hanson, and Majlesi, the China trade shock may have been directly responsible for Trump's electoral victory in 2016. Their estimates imply that had import penetration been 50% lower than the actual rate over the 2002-14 period, a Democratic presidential candidate would have won the critical states of Michigan, Wisconsin, and Pennsylvania, making Hillary Clinton the winner of the election.

Other empirical studies have produced similar results for Western Europe. Higher penetration of Chinese imports has been found to be implicated in support for Brexit in Britain and the rise of far-right nationalist parties in continental Europe. Austerity and broader measures of economic insecurity have been shown to have played a statistically significant role as well. And in Sweden, increased labor-market insecurity has been linked empirically to the rise of the far-right Sweden Democrats.

The cultural and economic arguments may seem to be in tension – if not downright inconsistent – with each other. But, reading between the lines, one can discern a type of convergence. Because the cultural trends – such as post-materialism and urbanization-promoted values – are of a long-term nature, they do not fully account for the timing of the populist backlash. (Norris and Inglehart posit a tipping point where socially conservative groups have become a minority but still have disproportionate political power.) And those who advocate for the primacy of cultural explanations do not in fact dismiss the role of economic shocks. These shocks, they maintain, aggravated and exacerbated cultural divisions, giving authoritarian populists the added push they needed.

Norris and Inglehart, for example, argue that “medium-term economic conditions and growth in social diversity” accelerated the cultural backlash, and show in their empirical work that economic factors did play a role in support for populist parties. Similarly, Wilkinson emphasizes that “racial anxiety” and “economic anxiety” are not alternative hypotheses, because economic shocks have greatly intensified urbanization-led cultural sorting. For their part, economic determinists should recognize that factors like the China trade shock do not occur in a vacuum, but in the context of pre-existing societal divisions along socio-cultural lines.

Ultimately, the precise parsing of the causes behind the rise of authoritarian populism may be less important than the policy lessons to be drawn from it. There is little debate here. Economic remedies to inequality and insecurity are paramount.

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**Fonte:** RODRIK, Dani. What's Driving Populism? Disponível em: <[https://www.project-syndicate.org/commentary/economic-and-cultural-explanations-of-right-wing-populism-by-dani-rodrik-2019-07?a\\_la=english&a\\_d=5d2356d3447c7f3520557af5&a\\_m=&a\\_a=click&a\\_s=&a\\_p=%2Farchive&a\\_li=economic-and-cultural-explanations-of-right-wing-populism-by-dani-rodrik-2019-07&a\\_pa=&a\\_ps=>](https://www.project-syndicate.org/commentary/economic-and-cultural-explanations-of-right-wing-populism-by-dani-rodrik-2019-07?a_la=english&a_d=5d2356d3447c7f3520557af5&a_m=&a_a=click&a_s=&a_p=%2Farchive&a_li=economic-and-cultural-explanations-of-right-wing-populism-by-dani-rodrik-2019-07&a_pa=&a_ps=>)> Acesso em 09 de julho de 2019.

## **Europe's 5G Wake Up Call (Daniel Gros – 08/07/2019)**

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Whereas the battle over 4G mobile networks was essentially commercial, the ongoing 5G debate is about geopolitics, technological leadership, and national security. And Europe, in particular, must develop a much stronger common approach in order to make itself less vulnerable to security risks.

How times change. Not so long ago, the next big thing in telecommunications was 4G mobile networks, which promised massive data transfers and cheap voice calls. Now comes 5G, which will potentially spur all sorts of new digital innovations, thanks to its greater speed (200 times faster than 4G), faster data transfers from wireless broadband networks, and, most important, the ability to connect cyber-physical objects in the context of the Internet of things. Moreover, 5G is expected to enable the much more rapid reaction times required for driverless cars, advanced factory automation, smart cities, e-health, and many other applications.

But there is another key difference. Whereas the battle over 4G was essentially commercial, focusing on job creation and profits, the ongoing 5G debate is about geopolitics, technological leadership, and national security. Here, Europe must develop a much stronger common approach to the new 5G technology to make itself less vulnerable to security risks.

Most of the current 5G controversy centers on whether US and European mobile operators should buy equipment from the Chinese telecoms giant Huawei. The US government previously banned the firm from its telecoms market because of espionage concerns (although it has yet to produce evidence of this publicly), and strongly urged its European allies to do the same.

Both the US and European positions toward Huawei seem to be at odds with their commercial interests. By banning the Chinese company, US President Donald Trump is favoring existing European (and South Korean) equipment suppliers, even as he complains about America's trade deficit with Europe. (More recently, Trump has indicated a possible softening of his stance toward Huawei.)

Although European governments have differing views, most do not want to exclude Huawei. Each national government regards lower equipment prices for its national telecoms

operator as more important than supporting European champions in 5G technology (such as Nokia and Ericsson).

In any case, US and European security concerns should extend well beyond Huawei and the Chinese government. The new 5G networks present a unique security challenge, because their main functions depend on software, not hardware. This makes 5G much faster than legacy wireless networks, but also leaves it vulnerable to potentially malicious attacks.

Today's information-technology systems are highly complex: current smartphone chips have more than eight billion transistors, and operating systems have more than 50 million lines of code. Moreover, many of these systems contain components supplied by hardware and software vendors from around the world. In practice, this creates multiple possible entry points for malicious attacks and data leaks, using "backdoors" that can be exploited to gain control of a device. And if backdoors cannot be detected and monitored, then entire 5G networks are potentially vulnerable, too.

The key national-security risk, then, is that a vendor for all or part of a 5G network (or its national government) could vacuum up all the traffic passing through, or even disrupt the operation of the entire network with a digital kill switch. Extensive security reviews of Huawei equipment have failed to uncover any such backdoors. That is not surprising: Huawei (or any other company) would be out of business if it were caught doing this even once. But it is also logically impossible to prove the absence of malicious code.

Although Europe has its own suppliers of 5G equipment and could simply shut Chinese vendors like Huawei out of the market, such a move is unnecessary. In many European countries, Huawei provides just one part of the mobile network. Moreover, having multiple vendors provides some protection against a kill-switch risk to the entire system.

Diversity also constitutes a liability, because each European Union member state performs its own, often quite different, security check on Huawei equipment, with many of them having only limited resources and experience to do so. The security of the future 5G networks could be much better ensured if an EU agency carried out a common check on all equipment suppliers.

More generally, Europe's potential 5G vulnerability stems mainly from the desire of each member state to keep its own mobile network under national control. For example, the allocation of 5G frequencies has been conducted entirely at the national level, according to widely different rules and conditions. This of course makes the emergence of "European champions" in the telecoms industry less likely.

In addition, the defense of (national) networks against cyberattacks is also managed at the national level. The EU Agency for Cybersecurity (ENISA), which still has fewer than 200 staff even after a recent budget increase, plays only a weak coordinating role.

Yet telecommunications networks within the EU are highly integrated across national borders. Future cyberattacks may well target more than one member state, and a blackout in one country would severely affect others. Europe thus urgently needs a powerful, integrated cybersecurity agency. Over the longer term, the entire regulatory framework for telecommunications networks, including spectrum auctions, should be centralized at the EU level. This would finally create the "single digital market" that has so far eluded Europe.

European leaders would be wrong to regard a Chinese supplier of 5G network equipment as the biggest threat to the continent's cybersecurity and to its ability to develop telecoms champions. Europe's real vulnerabilities are its still-fragmented telecoms market

and its lack of a common cyber-defense system. The looming introduction of 5G should be a wake-up call to policymakers across the continent. One can only hope they heed it.

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**Fonte:** GROS, Daniel. Europe's 5G Wake Up Call. Disponível em: <[https://www.project-syndicate.org/commentary/europe-5g-mobile-networks-security-risks-by-daniel-gros-2019-07?a\\_la=english&a\\_d=5d235936447c7f352088319f&a\\_m=&a\\_a=click&a\\_s=&a\\_p=%2Farhive&a\\_li=europe-5g-mobile-networks-security-risks-by-daniel-gros-2019-07&a\\_pa=&a\\_ps=>](https://www.project-syndicate.org/commentary/europe-5g-mobile-networks-security-risks-by-daniel-gros-2019-07?a_la=english&a_d=5d235936447c7f352088319f&a_m=&a_a=click&a_s=&a_p=%2Farhive&a_li=europe-5g-mobile-networks-security-risks-by-daniel-gros-2019-07&a_pa=&a_ps=>)> Acesso em 08 de julho de 2019.

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