ECONOMY

Athens Calls on Creditors to Strike a Deal

Greece Says it has Pushed Through Painful Reforms and Upheld Bailout Agreement

Greece is calling on its creditors to strike a deal that would allow it to honour billions of euros in debt repayments, arguing that it has upheld its side of the bargain by pushing through painful tax and pension reforms.
IMF officials and eurozone finance ministers will hold talks on Monday intended to pave the way for Athens' next tranche of bailout aid so that it can make more than €7bn of debt repayments in July."Greece has done its bit, most would say more than its bit," Euclid Tsakalotos, Greece's finance minister, told the Financial Times. He added that a deal would open the door to the country's participation in the European Central Bank's economic stimulus programme and provide "the signal to the markets that so many investors have been waiting for".The aid is dependent on bringing the IMF into the bailout programme as a financial partner.But the fund has clashed with Greece's eurozone creditors and, in particular, Germany, warning repeatedly that the country's debt is unsustainable.
In response to the fund's concerns, Greece has adopted tax, pension and labour market reforms that have brought protesters on to the streets in force. Last week the government was rocked by a 24-hour general strike, with further strikes either planned or under way in the shipping industry and local government.The fund also insists that Greece's eurozone creditors make more specific commitments to debt relief to make Athens' burden more manageable.
But Wolfgang Schäuble, the finance minister for Germany, which holds a general election in September and whose public is increasingly resistant to further aid for Athens, argues that the need for further debt relief has yet to be established.The European Commission has warned that the delays are wreaking economic damage on the country.

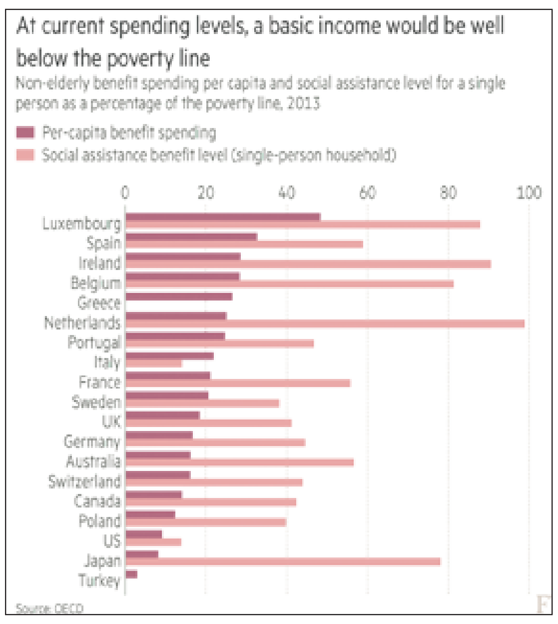
SoftBank Tech Fund Becomes World's Largest with $93bn War Chest

SoftBank has announced that it has raised $93 billion for a new tech investment fund, which will become the largest in history.
The Japanese telecoms giant, currently valued at $78.6bn, raised capital for the SoftBank Vision Fund from some of the world's most cash-rich organizations including Saudi Arabia's sovereign wealth fund, Mubadala Investment from Abu Dhabi, Apple and Foxconn.
In a statement SoftBank said the fund would target high-tech solutions at the sharpest end of the technology industry, including fintech, AI, robotics, biotech and others. First announced in October 2016, the fund is based on SoftBank's belief that "the next stage of the Information Revolution is underway, and building the businesses that will make this possible will require unprecedented large scale long-term investment."
Rajeev Misra, who has been with SoftBank since 2014, will head up the Vision Fund, which will be consolidated by Tokyo-headquartered SoftBank for accounting purposes. It will be advised by "another wholly-owned subsidiary" in the UK.
"The Fund will target meaningful, long-term investments in companies and foundational platform businesses that seek to enable the next age of innovation," continues the statement. "The Fund will seek to acquire minority and majority interests in both private and public companies, from emerging technology businesses to established, multi-billion dollar companies requiring substantial growth funding."
The Vision Fund's timing coincided with the visit of US President Donald Trump to the Middle East, where he met with members of Israel's leadership. SoftBank chairman Masayoshi Son met with Trump in December, after which he pledged $50bn and 50,000 jobs to the American economy.
Saudi Arabia's huge investment in the Vision Fund reflects an interest for the Kingdom to diversify its economy. The value of oil, which has underpinned the country's existence for decades, is on the wane. Access to technology would allow it to maintain peace and power, domestically and on the international stage.

Universal Basic Income Would Fail to Cut Poverty, says OECD

Study concludes that introduction would bring tax rises and less effective support for poor

By: Chris Giles in London



A universal basic income paid at a flat rate to all citizens would fail to reduce poverty levels in advanced economies and require substantially higher taxes to fund its simplicity, the Organization for Economic Cooperation and Development has concluded in a detailed study of the idea. The prospect of swapping existing social support for a basic income has gained traction in countries as diverse as the US, Switzerland and France. Limited trials have started in Finland and the Netherlands although no country has decided fully to take the plunge.
Proponents of basic incomes argue that they would provide security for everyone in society, reduce inequality and provide insurance against robots replacing humans in the labour market.These claims receive short shrift in the detailed modelling exercise undertaken by the OECD, the Paris-based international organisation that specialises in cross-national comparisons of policy ideas.
Its modelling shows the simplicity of basic income schemes would come at the cost of a need for large increases in taxation, less effective targeting of support on the poorest and large numbers of gainers and losers.
James Browne and Herwig Immervoll, authors of the report, say that basic incomes at a meaningful level "would require tax rises as well as reductions in existing benefits and would often not be an effective tool for reducing income poverty". The study noted that social security systems in advanced economies vary greatly with some much more targeted on the poor than others. Social insurance systems, which pay out according to contribution histories, often provide significant incomes to higher-income groups, particularly in countries such as Italy with significant early retirement. But if these varying systems and tax-free allowances in income tax systems were replaced by a single payment to all individuals under pension age, the OECD found that payments per person would be far below the level necessary to raise their living standards above the national poverty line in all countries. Spreading out payments to people currently not entitled would lead to very low levels of income.
If instead a basic income were paid at the level of minimum guaranteed income in that country, higher taxes would generally be needed."Large tax-revenue changes are needed to finance a basic income at meaningful levels," the report concluded. "Tax burdens would go up for most people as a result, further increasing tax-to-GDP ratios that are currently already high in the OECD area."Italy and Finland were outliers among OECD countries. In both countries, a basic income paid at the level of the country's existing guaranteed minimum income would result in national budget savings rather than costs. Because everyone would receive a guaranteed payment, there would also be many gainers and losers, the OECD calculations find, with gainers across the income distribution depending on how social security systems work.
With a basic income less clearly targeted on poor families, poverty levels would rise in the UK, France and Finland and would be unchanged in Italy the four countries studied in detail in the report.

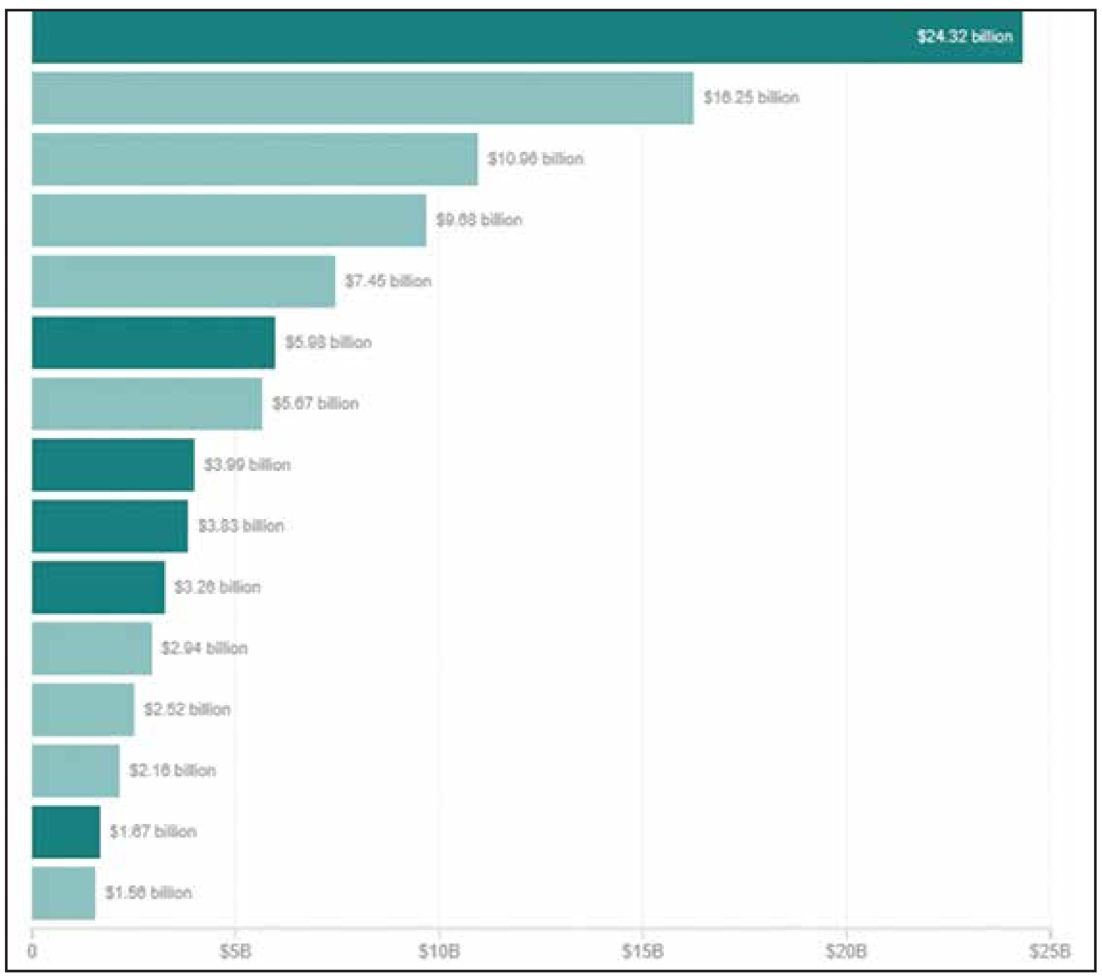
Failure to Adjust

How Americans Got Left Behind in the Global Economy

A History of the Last Four Decades of U.S. Trade Policies and a Blueprint for How to Keep the United States Competitive in a Globalized Economy.

In Failure to Adjust: explains why the political consensus in support of trade liberalization has collapsed, and how to correct the course. The United States has contributed more than any other nation to writing the rules that created the competitive global economy of today, helping support stronger growth in much of the world. Yet successive U.S. administrations have done far too little to help Americans succeed under those rules, says Alden.
The problem is not globalization, he writes. "The problem has been the domestic political response to globalization, which in too many ways has been deeply irresponsible. A central task of any government is to provide the tools to help people adjust and succeed in the face of economic change." However, "the story of the last half century has instead been the failure by governments to ease that adjustment," Alden says.
Failure to Adjust contends that the policies needed to help more Americans flourish in the global economy are well within reach.

A Proposed New Tax, Mainly On Latinos, To Pay For Trump's Border Wall



One of President Trump's boldest, most ambitious proposals on the campaign trail was to build a wall along the Southern border and get Mexico to pay for it. Amid the tumult of Trump's first few months in office, the border wall hasn't gotten as much attention as some other things. But new legislation has been introduced in Congress to help fund it.
It's called the Border Wall Funding Act of 2017, introduced on March 30 by Rep. Mike Rogers, R-Ala.
And it would put a 2 percent tax on all person-to-person wire transfers to Mexico, the rest of Latin America and the Caribbean.
It's not the only bill targeting remittances. An earlier proposal in the Senate, which didn't advance out of committee, would have placed a 7 percent "fine" on remittances unless the sender can prove he or she is in the U.S. legally.
It should be noted that these proposals would only apply to personal transfers and not to businesses moving money abroad to say, Mexico or the Cayman Islands.
Remittances are hugely important for the developing world.
For some countries, they're the leading source of foreign capital. In Haiti, they add up to more than $2 billion and represent 28 percent of the country's overall gross domestic product. For Mexico, remittances bring in more cash each year $28.5 billion than its vast oil fields do.
More than $60 billion in remittances are sent out of the U.S. each year, more than twice the $26 billion that the American government spends on foreign development aid. Advocates for tighter border controls say a tax on those funds is long overdue.
A remittance tax is an obvious place to look for new money for the border wall.
But a remittance tax would affect anyone sending money regardless of their immigration status. Villalobos, for instance, is a U.S. citizen. Legal permanent residents would also be hit by the tax.
Krikorian would like to see a tax similar to one that Oklahoma put in place in 2009. Oklahoma slaps a $5 surcharge on personal wire transfers up to $500 leaving the state and an additional 1 percent on higher amounts. Technically, the tax is fully refundable as a tax credit the next year so long as the sender retains the wire transfer receipt and files state taxes in Oklahoma. The fee raises roughly $12 million a year for Oklahoma because hardly anyone claims a refund. To Krikorian, this is proof that a significant amount of remittances sent out of Oklahoma are from people who aren't in the country legally.
Or it might be that it's too much of a hassle to file for the refund.
But the idea of taxing remittances is gaining support in some wealthy countries that rely heavily on migrant labor. Bahrain, Kuwait, Saudi Arabia and the United Arab Emirates have recently proposed remittance taxes.
The World Bank has blasted the idea of these taxes, calling them a "bad idea." The World Bank says they hurt some of the poorest countries by reducing the inflow of desperately needed cash. In addition, a World Bank report on the subject last month says remittance taxes are difficult to administer.
Even if the taxes are put in place, the report notes, migrants are likely to find some other way to get their money sent without paying a tax.