

Business

Top economist Joseph Stiglitz sees 'significant slowdown', but no crisis

PARIS: Nobel prize-winning economist Joseph Stiglitz said the global economy is entering a severe slowdown, but told AFP in an interview he did not see it hurtling towards crisis. "I would say that I don't see a crisis," said the US economist in Paris where he was promoting the French version of his latest book: *People, Power, and Profits: Progressive Capitalism for an Age of Discontent*.

"What I see is a significant slowdown," he said. "In the process of this significant slowdown, there will be bankruptcies." He said that slowdown deprived corporate managers of a cushion to soften the consequences of their errors. "When you are slowing down and you mismanage, you go bankrupt." This made people nervous, "but the particular situation for a global crisis requires much more disruption than that", he said.

Stiglitz said some developing countries like Argentina might be swept into dire straits "but I don't think it is likely that Europe and America will." The 2001 winner of the Nobel Memorial Prize in Economic Sciences said he was concerned about rate cuts by US and eurozone central banks and a revival of liquidity injections into the economy. "I think the benefit that they get out of this is very little," he said. "They are

clearly losing ammunition in case the situation gets worse."

'A problem called Trump'

Stiglitz said the three main economies — China, the eurozone and the United States — were all having problems. "China has been having a hard time going from a manufactured export led growth to a more domestically driven growth," he said. Germany is under pressure to stimulate its own economy as well as its eurozone partners, while the US "has a problem called Trump", said Stiglitz.

"It's not just a trade war. He has introduced a new degree of political uncertainty, a new level of chaos" that has reduced growth. "Those three together mean slow economic growth," said Stiglitz. "The trade war just makes it all worse." In his book Stiglitz argues for a "progressive capitalism" where the state would again wield more power over the economy, including regulating markets. He recommended the breakup of internet giants.

"There was no reason that Facebook should have been allowed to acquire Instagram and WhatsApp," said Stiglitz. The economist welcomed the French government's move to tax the revenue of Facebook, Apple, Amazon and Google who have



PARIS: (Left to right) US economist Joseph Stiglitz, Ugandan lawyer and politician Irene Ovonji-Odida, French economist Thomas Piketty and Indian economist pose ahead of a press conference on the theme "Taxes on multinational companies : a revolution for tomorrow ?". — AFP

been declaring global profits in targeted low-tax jurisdictions. The French initiative had forced "a global conversation about the taxation of the digital companies", he said. "And it helps the people realize that there is something fundamentally

wrong when the richest corporations in the world are not paying taxes". Stiglitz was chief economist at the World Bank for three years after serving as the head of US President Bill Clinton's Council of Economic Advisors. — AFP

Merkel says don't 'overstretch' ECB

FRANKFURT: German Chancellor Angela Merkel said yesterday that European Central Bank and its monetary policy must not be "overstretched", after a board member resigned over new measures to support the eurozone economy. "Our political task is of course to not overstretch monetary policy, but to make sure with reasonable reforms and a reasonable fiscal policy that the ECB is not overburdened," Merkel told a conference in financial capital Frankfurt, home to the institution's towering headquarters.

"Monetary policy is a topic that stirs people up, that's seen differently in Portugal, Greece, Germany or the Netherlands," she added, less than 24 hours after German ECB board member Sabine Lautenschlaeger announced her resignation. But Merkel refrained from directly commenting on policymakers' decision to lower interest rates and re-launch mass "quantitative easing" (QE) bond purchases earlier this month, widely criticized in German media and politics.

Like other "hawks" on the governing council, who eye critically departing ECB president Mario Draghi's easy-money policy, Lautenschlaeger believed the situation was not dire enough to justify restarting the bond-buying scheme. Sources told AFP around 10 of the 25 members of the governing council opposed the new 20-billion-euro (\$22 billion) per month purchase program.

QE was first launched in 2015 to ward off an imminent threat of deflation — a harmful downward spiral of prices and activity. While such a danger is presently far off, trade conflicts and other threats are weighing on confidence, growth and inflation in the single currency bloc. Nevertheless, critics say low rates and QE take the pressure off highly-indebted governments to reduce debt and deficits.

Many central bankers and economists have acknowledged the fears around loose monetary policy, but say it is up to governments and the EU to lift demand before they can turn the screws. "There was unanimous consensus, unanimity... that fiscal policy should become the main instrument" to stoke demand, Draghi told reporters after this month's meeting. — AFP

Dutch launch laundering probe into ABN Amro

THE HAGUE: Dutch prosecutors are targeting the country's third-largest bank ABN Amro in a money-laundering probe, the bank and prosecutors said yesterday, sending its share price into a nosedive on the Amsterdam stock exchange. The stock fell by around 9.5 percent on the AEX index shortly after opening following ABN Amro's terse announcement that public prosecutors told the bank it was "the subject of a probe under legislation against money laundering and the financing of terrorism."

"ABN Amro will cooperate fully with the probe," it added. Its share price further plunged by over 10 percent by lunchtime trade. "ABN Amro allegedly has not carried out client due diligence sufficiently, was insufficiently monitoring bank accounts and did not report unusual transactions, or reported them too late," a spokeswoman for the public prosecution service said. "Service providers such as banks have a legal obligation to protect society against abuse of the financial system for laundering criminal funds or financing terrorism," Marieke van der Molen told AFP.

She could not give further details but said "it was a wide-ranging investigation." Last month the Dutch Central Bank (DNB) ordered ABN Amro to audit all five million of its private clients. ABN Amro released an additional 114 million euros for this purpose, promising to "take all necessary measures to ensure full compliance with the legislation".

The latest investigation comes in the wake of a massive 775 million euros (\$848 million) fine dished out to top Dutch bank ING last year over money laundering after it failed to ensure its accounts were not misused. The scandal saw ING axe its chief financial officer Koos Timmermans after a two-year probe by Dutch authorities that found many white-collar crime suspects held accounts at the bank. — AFP

China buys 'considerable' amount of US soybeans

BEIJING: Beijing said yesterday it had bought a "considerable" amount of US pork and soybeans, the latest sign of appeasement between the two sides in the drawn-out trade war. The US and China have been locked in a bruising trade war for more than a year, with the world's two biggest economies slapping tariffs on hundreds of billions of dollars in bilateral trade.

China is also facing a severe shortage of pork — a staple food in the country — because of an outbreak of African swine fever which has raced through its hog supply and pushed prices up by 50 percent. "Recently Chinese enterprises have ... started price inquiry and purchases of US agricultural products, and have also completed a transaction of soybeans and pork of considerable size with the US," said commerce ministry spokesman Gao Feng at a regular press briefing.

Gao said "China's market demand for high quality agricultural products is very large" and that he hoped the two sides could "create beneficial conditions for cooperation." Earlier in September, China said high-profile US agricultural products including pork and soybeans would be exempt from added tariffs, ahead of the next round of trade talks scheduled for October. It marked easing tensions between the world's two biggest economies.

Appeasement

American farmers have borne the brunt of the US-China trade spat, especially after US soy exports collapsed last year. President Donald Trump has previously accused Beijing of backsliding on promises to increase purchases of US farm goods and has offered billions in aid to farms badly damaged in the trade war. China's conciliatory move to exempt pork and soybeans followed an unexpected announcement from Trump that he would postpone an October 15 tariff increase on Chinese products representing \$250 billion in annual imports.

Tensions between the two have ebbed and flowed since then, with Trump criticising Beijing in a speech at the United Nations this week over its trade policy and approach to pro-democracy unrest in Hong Kong. The US president declared in his speech that the time of Beijing's "abuses" of the system was "over." — AFP