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Finance officials joined central bank governors in Washington on Friday after I.M.F. and World Bank meetings. Leaders from the Group of 20 countries will meet in Mexico in June.

I.M.F gets a $400 billion boost

WASHINGTON

Higher lending capacity is coupled with pressure on euro zone members

BLOOMBERG NEWS

overnments have committed more an $400 billion in fresh money to the ternational Monetary Fund to help it otect the global economy against epening debt turmoil in Europe.

That sum is contained in the draft of a tement obtained by Bloomberg News t will be released by Group of 20 fi- ice ministers and central bankers er a meeting of the I.M.F. and the orld Bank that ends Sunday in Wash- gton. Specific country contributions ll be decided ahead of a summit meet- ; of G-20 leaders in Mexico in June, the azilian finance minister, Guido intega, said.

The near-doubling of the fund's lend- ; capacity is being coupled with warn- gs that it does not absolve Europe of e need to intensify its own efforts to d a crisis that is now in its third year d still threatens global growth.

Volatility remains high partly re- cting financial market pressures in rope and downside risks still per- t,'' the G-20's draft statement said.

Underscoring the need to reassure in- stors that euro zone nations can restore fiscal order without derailing their economies, Spain's 10-year bond yield on Friday passed 6 percent, a level widely considered unsustainable for developed countries, for the first time in four days. Almost two years since Greece was rescued, the concern remains that more bailout cash does not cure debt strains and may still not be enough to insulate Italy.

A bigger I.M.F. war chest is "an added plus for the euro zone as it would complement its own firewall,'' said Christian Schulz, an economist at Berenberg Bank in London. "But if Italy were to get into trouble, it still wouldn't be enough to defend it.''

In the draft statement, the G-20 said that signs "point to a continuation of a modest global recovery'' and that recent "tail risks'' had begun to recede. The latest draft is a revision of one late Thursday in which officials cited the "situation in Europe'' first in a list of drags on the world economy, which it then said faced renewed stress.

"Growth expectations for 2012 remain moderate,'' the group said in the new draft.

The officials promised to be "vigilant'' of high oil prices and stood ready to act if needed, while welcoming promises by crude producers to ensure adequate supply.

Finance chiefs said Europe should do more to raise its own defenses and meet the often conflicting goals of cutting budget deficits, supporting economic growth and shoring up banks. That lobbying came almost a month since Europe increased its own firewall, to €800 billion, or $1 trillion, meeting a condition for more overseas assistance.

"They need to build up a firewall with their own resources more than they have done so far,'' the Canadian finance minister, Jim Flaherty, said in an interview Thursday.

The second replenishing of the I.M.F.'s crisis-fighting coffers in three years is not coming without a fight and falls short of Managing Director Christine Lagarde's initial goal of $600 billion. The lending capacity will be lower than the total amount raised because the I.M.F. must keep some cash on hand.

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Negotiations have taken five months and the United States has balked at providing extra funding in an election year, arguing that the I.M.F. has enough and that Europe can do more. Canada also refuses and proposes that non-European nations be given a veto at the fund over future aid for Europe. Brazil is holding back as it demands greater power for emerging markets at the fund.

Of those making contributions public, euro zone nations have pledged the, most with about €150 billion, followed by $60 billion from Japan. The I.M.F.'s current lending capacity is about $380 billion.

European officials in Washington defended their policy steps.

"We can tell the world with full conviction that the Europeans have met their commitments,'' the German finance minister, Wolfgang Schäuble, said. "We're on a good track. The crisis of confidence in the financial markets with a view to the euro region hasn't been fully overcome yet, but the substantial decisions have been taken.''

The crisis has flared again with Spain's benchmark yield jumping about one percentage point since early March as Prime Minister Mariano Rajoy struggles to meet budget deficit targets. Even with larger rescue funds, countries still face the need for austerity with the risk that spending cuts and tax increase could drive their debts even higher by harming growth.

Voters are set to have their say. France holds the first round of its presidential election on Sunday, with the Socialist candidate, François Hollande, leading the incumbent, Nicolas Sarkozy, in opinion polls. Greece, whose budget problems led to the crisis, has a general election on May 6.

"The problem is not yet over and it's primarily a problem about an absence of growth and the fact that with an absence of growth the fiscal numbers don't really add up,'' said Stephen King, chief economist at HSBC Holdings.

Old troubles stall economic revival

ECONOMY, FROM PAGE 1

recession. After shrinking 0.2 percent in the last three months of 2011, Germany remains resilient. The Ifo survey of business expectations, considered a reliable predictor of German growth, rose slightly in April, indicating that company managers remained optimistic, according to results published Friday. Analysts had expected a decline.

But some analysts wonder how long Germany can continue to defy the euro zone's sovereign debt crisis.

"Today's Ifo index paints a too-positive picture of the growth prospects for the German economy,'' Carsten Brzeski, an economist at ING Bank, wrote in a note Friday. "With austerity-driven slowdowns coming to most other core euro zone countries, an obvious cooling of the Chinese economy and a still not very dynamic U.S. recovery, export growth should clearly come down.''

In Japan, an aging population is crimping domestic demand, while weak exports and a strong yen have been hurting export behemoths like Sony.

And although the outlook for emerging Asia is relatively robust, any renewed full-blown financial crunch in the West would weigh heavily on the region.

Already, central banks in China and India have moved to ease monetary policy to help shield their economies from shocks, but concerns about inflation mean there is little room to maneuver in the future.

The outlook for Asia is relatively "rosy,'' Frederic Neumann, an economist at HSBC, said during a recent news conference in Hong Kong. He added, however, that "challenges remain — notably inflation, which could come back into the picture very quickly.''

The uncertain outlook has weighed on stock markets in most parts of the world. In the United States, the Standard & Poor's 500-stock index had generally risen from last summer through March, but it has fallen more than 3 percent since early April. The DAX in Germany has sagged 5.6 percent since the start of this month, and in Japan the Nikkei 225 has dropped 5.4 percent.

The worries, about both a potential slowdown in the near term and almost certain sluggish growth in the long term, have also formed the backdrop for the annual spring meetings of the International Monetary Fund and the World Bank. Finance ministers and central bankers have convened in Washington to discuss how to lift growth and reduce unemployment in meetings extending through Sunday.

In the past week, the I.M.F. upgraded its estimate of global growth in 2012 and 2013 from estimates made in January, but did so with major caveats. "An uneasy calm remains,'' said Olivier Blanchard, chief economist at the I.M.F. "One has the feeling that any moment, things could well get very bad again.''

Europe remains the central concern. In a report released during the past week, the fund's economists said that financial institutions in the European Union would shrink their balance sheets by as much as $2.6 trillion by the end of next year, reducing the availability of credit for businesses and households by as much as 1.6 percent.

Private analysts have also warned of weakness in Europe, despite the European Central Bank's effort to quiet markets by providing financial institutions with unlimited low-cost, short-term loans, a policy credited with pulling down bond yields this winter.

Europe and the United States together account for about a third of global trade flows, and their financial systems are inextricably linked. For that reason, the U.S. Treasury secretary, Timothy F. Geithner, has urged European leaders to keep up efforts to bring down bond yields and bolster growth.

"It's very important to get that balance right'' between growth and austerity, Mr. Geithner said Wednesday at the Brookings Institution, a policy research group in Washington. "You're undermining the prospects for some stability in growth'' by cutting too fast, he added.

One hurdle is that oil prices remain stubbornly high, though they have fallen in recent days. High fuel prices can cut into household budgets and hit consumer sentiment.

Some U.S. domestic indicators have weakened in recent weeks as well.

First, there are signs that the sharp decline in the unemployment rate, which fell to 8.2 percent in March from 8.9 percent in October, might be over, with economic growth not robust enough for employers to continue adding jobs so rapidly.

Falling industrial production and home sales in the United States also point to a spring slowdown, as occurred in 2010 and 2011 as well.

Economists are divided over the importance of the recent slowdown, with many saying it is more likely to seem like a blip than a major change.

"The data are having a brief pause, or a consolidation."

"After a few months of good data, people got more aggressive with their expectations,'' said Ian C. Shepherdson of High Frequency Economics. "The data are having a brief pause, or a consolidation. The consensus forecast had gotten stronger, so it's easy to overshoot.''

Moreover, recent signals have been mixed, and the United States is expected to grow at a relatively sluggish pace of about 2.5 percent this year.

The leadership of the I.M.F. and the World Bank will underscore those problems at the meetings in Washington. Officials plan to warn low-income countries not to depend on investment from debt-soaked advanced economies, and they caution that aid and remittances may fall this year. They will also urge cash-rich middle-income countries, like China, to ensure a soft landing if their economies cool off.

Most of all, officials will urge Europe to bolster economic growth in countries like Italy and Spain, while raising new lending capacity for the monetary fund itself.

"With the anxieties late last year, I think the E.C.B.'s extraordinary actions were appropriate, but I think some misled themselves because they only bought time,'' Robert B. Zoellick, the departing head of the World Bank, said Thursday. "Further actions are going to be called for.''

Bettina Wassener reported from Hong Kong. Jack Ewing contributed reporting from Frankfurt.

Jnfairness, shown by my ower tax bill

James B. Stewart

COMMON SENSE

Like most Americans (though not Mitt Romney, who got an extension), I filed my 2011 tax returns this past week and paid my five layers of income tax: federal, state, local, self-employed and something called the metropolitan commuter tax (even though I live in New York City and don't commute). When I first looked at the returns, I was incredulous.

My adjusted gross income was higher than in 2010. Yet my overall tax rate went down. My alternative minimum tax also went down. Wasn't the opposite supposed to happen — the more you make, the higher rate you should pay?

I called my accountant to double-check, but my returns were correct. This perverse outcome proves that what I had already discovered about the ultrarich also holds true for people who are far from the million-dollar bracket: our tax code isn't progressive. It's not even flat. For people like me — and I assume there are millions of us — it's regressive. For many people, the more you make, the lower the rate you pay.

Rest assured that I'm still paying a whopping amount of tax: 33 percent of my adjusted gross income in 2011 as compared with 37 percent the previous year. That's far higher than Mitt Romney's 13.9 percent for 2010 on his more than $21 million in income or even President Barack Obama's 24.6 percent in combined federal and state income tax for 2011 on adjusted gross income of $789,674, which the White House disclosed this month. I'm also paying a lot more in total tax this year than last, even though the rate is lower.

But what really galls me isn't how much I have to pay: it's the unfairness of it. Some have argued that when it comes to the tax code, fairness isn't the main issue. They contend that increasing rates for the ultrawealthy doesn't raise all that much money and doesn't make much of a dent in the federal deficit.

By that logic, we should encourage everyone to become a billionaire by freeing the super-rich from taxation altogether. In the name of tax efficiency, it would make sense to increase taxes on people in the $100,000 to $500,000 category, because that's where the real money is. This group already pays 44.9 percent of total federal income tax even though they account for only 20.2 percent of total returns, according to the most recent data from the Internal Revenue Service.

That strikes me as absurd. Striving for fairness is not only fundamental to the American experience, but should be the starting point for any tax reform.

So how did I, a journalist as opposed to a private equity manager, manage to increase my income while lowering my tax rate and my alternative minimum tax, or A.M.T.?

The main culprit is the same thing that benefits the ultrarich and represents the single biggest preference item (i.e., loophole) in the tax code: preferential capital gains rates. And I discovered that the A.M.T. makes capital gains even more preferential than I had realized.

Taxpayers are required to pay whichever yields the greater amount: the calculation under the alternative minimum tax or the regular tax rate.

When I joined The New York Times last year to write this column, I sold stocks to comply with the newspaper's conflict-of-interest policies, including two of my longest-held positions that both had large unrealized gains — Google and Apple. Capital gains accounted for 26 percent of my adjusted gross income in 2011. The year before, I had a loss.

Capital gains are taxed at a low maximum rate of 15 percent, which helped lower my overall rate. And I was amazed to discover that unlike other deductions — state and local taxes and personal exemptions — the tax preference for capital gains is not added back when calculating the A.M.T., which is a nearly flat tax.

That wasn't the case when the A.M.T. was started in 1970. On the contrary, as the largest single tax break benefiting the rich and a major reason the legislation was enacted in the first place, the capital gains preference was added back when calculating the A.M.T. But as a result of the 1986 Reagan tax law changes, in which capital gains were taxed at the same maximum rate as earned income, capital gains lost their preferential status. Since there was no preferential treatment, there was no need to add anything back when calculating the A.M.T.

Then, over the years, the tax on earned income went up to a current maximum rate of 35 percent, and the tax rate on capital gains was cut, reaching its current maximum of 15 percent as part of the Bush-era tax cuts, which restored the preferential treatment for capital gains. Nonetheless, capital gains were not restored when calculating the A.M.T.

"Capital gains were the single biggest tax preference when the A.M.T. was passed, and they are again now,'' said William G. Gale, co-director of the

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Greek banks log historic losses

ATHENS

Steep drop in the value of government bonds hits balance sheets hard

REUTERS

Two of the biggest Greek banks posted historic losses for 2011 on Friday after taking huge write-downs on the value of their government bond holdings.

Alpha Bank and Eurobank together posted a loss of €9.3 billion, or $12.3 billion, about 10 times more than their current market capitalization. The banks took losses on their holdings of government bonds after a debt swap agreement last month cut the value of the holdings by 74 percent.

The losses swallowed both banks' capital. The core Tier 1 capital ratio at Alpha, the third-largest Greek bank, fell to 3 percent. Eurobank, the country's second-biggest bank, did not disclose its Tier 1 ratio.

The banks treated losses from the recent bond swap, part of the Greek bailout package negotiated with the European Union and International Monetary Fund, as if they took place last year.

"The results, so far, are close to what the market had expected,'' said Manos Hatzidakis, an analyst at Beta Securities.

Two other major banks, National Bank and Piraeus Bank, were expected to report results as well on Friday, but had not done so late in the day. Those banks are also expected to report significant losses caused by the debt write-down.

Alpha said a €1.9 billion standby facility by the Hellenic Financial Stability Fund, a government fund to backstop banks, would bring its Tier 1 ratio back up to 7.3 percent.

KOSTAS TSIRONIS/BLOOMBERG NEWS

Graffiti on a shuttered bank branch in Athens that reads in part, "Banks are the enemy."

The banks were originally supposed to report earnings by March 31, but that deadline was extended until April 20 to give the institutions more time to asses the impact of the debt swap and prepare plans to plug the holes in their capital bases.

The Greek central bank, the Bank of Greece, is demanding banks deal with their capital shortfalls by September, mandating that the level of Tier 1 capital be 9 percent.

To meet that demand, banks have acted to replenish their core capital by issuing preferred shares to the government, buying back hybrid securities and selling foreign subsidiaries.

With the Greek economy mired in recession and unemployment at a record 21.8 percent, banks' nonperforming loans have risen significantly. Roughly 13 percent of the loans on Alpha's books are now deemed unperforming. Eurobank's provisions for bad debts rose 4.7 percent last year.

On Thursday, the Hellenic stability fund received €25 billion from the European Financial Stability Facility in the form of floating-rate notes. The fund will provide letters of commitment to banks that can then be used to bolster their capital.

About €50 billion of Greece's second, €130 billion bailout has been earmarked to help prop up the banking sector.