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Economic Crisis

A G20 meeting for nothing

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The G20 summit meeting in London from April 1st onward was loudly announced and publicized. Those 20 industrialized and emergent countries (G20) were meeting to find solutions to the crisis. But long before the end of the summit, it was clear that they would not rise to the challenge.

[https://internationalviewpoint.org/IMG/jpg/G20-Demo-London_medium.jpg]

The G20 was not created in order to provide genuine solutions; it was hastily summoned a first time in November 2008 to salvage the powers that be and try and to plug the breaches in capitalism. It is therefore impossible for this body to opt for measures that are sufficiently radical to save the day.

Public opinion will be told to look in the two directions that are expected to focus aggravation: tax havens and the CEOsâEuros" incomes.

Tax havens have to be abolished, that goes without saying. To achieve this it should be easy enough to make it illegal for companies and residents to have any assets in, or relationships with partners located in, tax havens. The EU countries that function like tax havens (Austria, Belgium, the UK, LuxembourgâEuros¦) as well as Switzerland must do away with bank secrecy and put an end to their outrageous practices. Yet such is not at all the orientation chosen by the G20: a couple of emblematic cases will be cracked down on, minimal measures will be required from those countries, and a black list of non-cooperative territories eventually made public will have been carefully vetted (the City, Luxembourg or Austria have already been promised they will not be on it).

On the other hand CEOsâEuros" incomes, including golden parachutes and other bonuses, are indeed outrageous. In time of growth the employers claimed that those who brought in such benefits to their companies had to be rewarded to prevent them from moving to another. Now that we live in a time of crisis and those companies have to admit to increasing losses, the same executives still claim similar rewards. The G20 will try to regulate their incomes for a limited duration. The logic of the system is not questioned.

Apart from tax havens and CEOsâEuros" superbonuses, which will not be hit by any specific penalties anyway, the G20 countries will further bail out their banks. Though globally discredited and de-legitimized, the IMF will be put back at the hub of the political and economic game thanks to a new provision of funds which will have been made available by 2010.

The G20 strategy is to put a fresh coat of paint on a world which is collapsing. Only a strong popular mobilization will make it possible to lay solid foundations to build another world in which finance is at the service of people, and not the other way round. The 28 and 30 March demos were big ones: 40,000 people in London, thousands and thousands in Vienna, Berlin, Stuttgart, Madrid, Brasilia, Rome, etc. with the common motto âEurosoeLet the rich pay the crisis!âEuros

The week of global action called for by the social movements from all over the world at the WSF at BelÃ©m last January thus had a gigantic echo. Those who had announced the end of the movement for another globalization were wrong. It has proved that it is able to bring large crowds together, and this is only the beginning. The success of the mobilizations in France on 29 January and 19 March (three million demonstrators were in the streets) is evidence that the workers, the unemployed and young people all want other solutions to the crisis than those which consist in bailing out bankers and imposing restrictions on the lower classes.

As a counterpoint to the G20 summit, the president of the UN General Assembly, Miguel dâEuros"Escoto, has called a general meeting of Heads of States and Governments in June and asked the economist Joseph Stiglitz to chair a commission that will draft proposals to meet the global crisis. The suggested solutions are inadequate because too timid, but they will at least be discussed at the the UN general Assembly.

A new debt crisis is looming in the South, it is a consequence of the real estate private debt bubble bursting in the North. The recession that now affects the real economy of all countries in the North has led to prices of raw material plummeting, which considerably has reduced the strong currency revenues with which governments of countries of the South repay their external public debts. Moreover the current credit crunch has induced a rise in borrowing rates for countries of the South. The combination of these two factors has already resulted in suspensions in debt repayment by those governments that are most exposed to the crisis (starting with Ecuador). Others will follow suit within one or two years.

The situation is absurd: countries of the South are net creditors to the North, starting with the US whose external debt is over US$ 6,000 billion (twice the total external debt of all the countries of the South). Central banks in countries of the South buy US Treasury bonds instead of setting up a democratic bank of the South to finance human development projects. They should leave the World Bank and the IMF, which are tools of domination, and develop South-South relations of solidarity such as those which exist between countries that are members of ALBA (Venezuela, Cuba, Bolivia, Nicaragua, Honduras, and Dominica). They ought to audit the debts they are asked to repay and put an end to the payment of illegitimate debts.

The G20 will see to it that the core of neoliberal logic is left untouched. Its principles are asserted again and again, even though they have blatantly failed: the G20 maintains its attachment to a global economy based on an open market. Its support to the god of free market is non-negotiable. Everything else is hocus-pocus.