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G20 summit

G20 : the Symbol of a System Failure

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The G20 is no more legitimate than its progenitor the G7 (Canada, France, Germany, Italy, Japan, UK and USA). It was launched by the industrialized countries three years ago when they were beginning to feel the effects of the biggest economic crisis since the 1930s. The G20 was thwarted from the start to the finish of its summit in Cannes on 3rd and 4th November 2011. That the EU and Eurozone are in crisis is flagrant, and at the heart of all the concerns. The about-turn exercised by George Papandreou three days before the start of the summit, when he announced a Greek referendum for January 2012, caused uncertainty to hover over the most recent agreements aimed at avoiding a chain reaction of bankruptcies among the major European banks and its collateral effects on their North American counterparts. [1]

The G20 agenda, that had been very carefully prepared over several months, was completely turned upside down. In a pathetic manner, all the state leaders and business captains suddenly became dependent on the Merkel - Sarkozy couple's ability, before the end of the summit, to persuade the Greek authorities to abandon the proposed referendum. If the plan for a referendum had been confirmed, and had it involved asking the Greek people to accept the agreements made at the European summit of the 26th and 27th October 2011, this would have caused a banking and financial panic.

Why? Because all the signs indicated that the plan would be rejected: according to polls carried out after the 27th October, only 12% of the Greeks approved the plan. The danger of rejection would have provoked, during the month of November 2011, a plunge in the value of Greek bonds, obliging the big French banks, among others, to effect a write-down of their Greek assets to the tune of 80% to 90%. These banks' shareholders would have sold their stock, thus causing a collapse in stock prices. Italian and Spanish bonds would have been subject to speculative attacks which the Eurozone would have been incapable of withstanding, the EFSF (the European Financial Stability Facility) not having sufficient means to do so. The French and German banks, along with other holders of Italian and Spanish debt, would have foundered.

It is clear that George Papandreou, faced with renewed popular unrest on 28th October, the national holiday, and criticism within his own coalition, was doing what he could to gain time and to ensure a parliamentary vote of confidence. His U-turn was not motivated by a sudden will to hear the voice of the people, he who over the last eighteen months has cast aside the most elementary democratic rules and backed down on his electoral commitments. Once his 1st November promise of a referendum was known, it was largely rejected by the Greek population, as well as by left wing political parties and social organizations.

However, it was for totally different reasons that the European leaders were unanimously opposed to any public consultation whatsoever concerning the new austerity plan imposed on Greece in the framework of the October 2011 agreement.

That the EU is in crisis was blatantly obvious at the summit, and it was not the leaders of the European institutions who played the main roles.

J.M. Barroso and H. Van Rompuy, respectively presidents of the European Commission and the European Council, were no more than mere onlookers, while the presidents of the two strongest countries of the Eurozone led the important negotiations from beginning to end.

George Papandreou has stepped down and it looks likely that a government of national unity would undertake to

apply the austerity measures that the Greek majority refuses. Yet even if this provides temporary respite for the plan to save Athens (it would be more accurate to say, for the plan to save the euro and the big private banks), Greek discontent is such that nothing is certain.

Italy is already signaled as the next weak link in the Eurozone, with a sovereign debt six times that of Greece. The G20 has failed the Italian Government abysmally. S. Berlusconi has had to accept that his country be put under the permanent scrutiny of the IMF. Coming out of the meeting, Christine Lagarde, managing director of the IMF, said of the Italian head of government, "we will subject him to a reality test." She went on to talk about Italy: "I am going to send them a team of probably five or six experts every three months." [2] That a founding member country of the G7 should be subjected to such humiliating treatment illustrates the extent of the damage to the Eurozone and the EU. Not to forget that Mario Draghi, the new president of the European Central Bank, was until last month the director of the Italian Central Bank after having served S. Berlusconi as minister. The announcement by Mario Draghi, ex-director of Goldman Sachs, of a reduction of 0.25% of the ECB prime rate is another concession to bankers having difficulty finding cheap funding.

Another failing of the EU and the Eurozone : the European Financial Stability Facility has not yet entered into its new judicial framework, nor had its means enlarged as agreed at the European summit of 21st July 2011. The BRIC (Brazil, Russia, India and China) have clearly announced their refusal to fund this facility.

Nor is the IMF coming out as well as its managing director would have us believe: the 500 billion promised at the G20 summit in London in 2009 remains unconfirmed.

This is the consequence of the refusal by the G7 to accept one of the demands of the BRIC. They wanted, in return for their aide to the IMF, EU and to the USA, a greater weight in the decision-making of the IMF and the World Bank, along with a new distribution of voting rights and more key positions in those institutions. It's a lose - lose situation: the G7 cannot get the emerging countries to open their purse-strings; and the emerging countries cannot obtain a status in keeping with their economic and political weight in the international institutions.

In spite of having to face a worsening economic crisis and very gloomy prospects for 2012, the governments of the industrialized countries refuse to take the elementary measures needed to put the private financial sector in order and to give a boost to the economy: separating deposit and commercial banks, prohibiting certain speculative transactions, taxing financial transactions, capping directors' fees with very strict controls on bonuses, reprisals against tax havens, increases in public expenditure to boost employment, protecting the purchasing power of wage earners and claimants... Of all these measures which at one moment or another during the crisis have been suggested by leaders such as Nicolas Sarkozy, the host of the G20 summit, none have been put into practice. Yet such measures constitute the absolute minimum for a programme like the one Franklin F. Roosevelt adopted to get the USA out of the great depression.

B. Obama and the European leaders have chosen otherwise: massive structural support for banks and other financial institutions to avoid massive serial bankruptcy, together with reinforcement of neoliberal policies (reduction of public spending, reduction of household and population purchasing power, the destabilization of salaried employment, a new wave of privatizations, increases in indirect taxation). There is no doubt about the consequences of these choices: pauperism of the majority of the population in the countries concerned, aggravation of the inequality gap, the risk of increasing bankruptcy in the banking sector, as no serious limit has been placed on their speculative activities, slow economic growth with periods of recession for the next ten to fifteen years, the continuation of structural indebtedness on the part of public authorities because of insufficient fiscal revenues, and the continuation of the Eurozone crisis.

The gulf between realpolitik and the ranting speeches against market abuse is obvious in the following passage

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from the summitâEuros"s final Declaration : "We will not tolerate a return to the behaviors observed in the financial sector before the crisis, and we will strictly control the application of our commitments regarding banks, the over-the-counter derivatives markets and pay practices."

Particularly lethal in the developing countries, especially in Africa : the nutrition crisis, principally provoked by speculation on agricultural produce, was also on the G20 agenda but gave rise to no particular decisions; the declaration merely mentions that there must be "a reduction in the effects of price volatility".

After the G20, the European "indignÃ©s" and the Occupy Wall Street movement see their convictions reinforced. Those who supposedly pilot the planet are incapable of finding the right solutions and have put their whole weight against the idea that a people may pronounce an opinion on the neoliberal policies they impose. The lesson will not be forgotten. Clearly, the need for a different, truly democratic, international architecture, has become a matter of urgency. Anti-capitalist choices must now be made: the dictatorship of the creditors refused. Banks must be expropriated without indemnity, by the people; there must be repudiation of illegitimate debt and radical redistribution of wealth.

Translated by Mike Krolikowski and Vicki Briault for [CADTM](#).

[1] See Eric Toussaint <<http://www.cadtm.org/spip.php?page=...>>">Les banques sont le maillon faible en Europe.

[2] Interview with Christine Lagarde published in Le Monde, 6-7 November 2011, p. 12.