After the G20 summit

Joseph Kishore
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The G20 summit in South Korea ended, predictably, without any agreement between the major powers on resolving the increasingly fractious conflicts over currency and trade.

The final communiqué on Friday barely attempted to paper over the divisions, setting a timetable for next year to agree to "indicative guidelines" on imbalances in the world economy. In the meantime, the principal actors are set to continue their "beggar thy neighbor" policies, which threaten an all-out trade war.

The summit exposed the inability of the United States to impose its will on the other powers. The Obama administration failed to get agreement on its principal aims, including the demand that China allow its currency to appreciate more rapidly, and that sharper restraints be placed on exports from surplus countries (particularly China and Germany). The administration also failed to secure a much-trumpeted bilateral trade deal with South Korea.

Both before and after the summit, major powers and "emerging" economies alike bitterly criticized the increasingly belligerent economic policy of the United States.

Just over a week before the conference, the US Federal Reserve announced a new plan to essentially print nearly $1 trillion, devaluing the dollar and once again flooding financial markets with cheap cash—the lifeblood of the American ruling class. This measure was quite legitimately denounced as the same type of currency manipulation that the US accuses China of engaging in.

The outcome of the summit is one more demonstration that the financial crash of 2008 was not a temporary downturn that will give way to a new equilibrium. A gradual smoothing out of the enormous imbalances in trade and deficits has proven impossible. As in the 1930s, the breakdown of the existing order is expressing itself in a conflict between states over who will be forced to pay.

The ruling classes of the different capitalist powers are themselves coming to an understanding that there is no quick economic restoration in order. Particularly since the debt crisis erupted in Europe in the spring, when it became clear that there would be no gradual return to steady growth, the response has been twofold: 1) To take measures aimed at off-loading the crisis onto competing powers; and 2) To impose ever more severe austerity policies on the working class.

Even as the G20 met, two events served to underscore the close connection between global tensions and social austerity. First, European representatives at the G20 were forced to break from their heated deliberations to reassure bond markets in Europe, which had sent yields on debt for several countries soaring.

Investors were nervous about the ability of Ireland and other European governments to impose sufficiently severe austerity measures. They were also upset about suggestions that private investors might be required to foot a greater portion of the bill in future bailouts. To avert a renewed debt crisis, at least temporarily, the European representatives were forced to hold a press conference to assure bond investors that their money was safe.

Second, the chairmen for the debt commission set up by the Obama administration issued a list of proposals for addressing US budget deficits that include brutal cuts in spending on key social programs. It is likely that the commissioners' report was timed at least in part to coincide with the G20 summit, to send a signal to the other powers that the US is determined to impose its own austerity measures.

Obama made a point at the G20 meeting of coming to the defense of the budget deficit commissioners, declaring that it was necessary to "take actions that are difficult" and "tell the truth to the American people."

The American financial aristocracy sees the imposition of poverty conditions on the working class as a key condition for maintaining its position on the world stage—through increasing exports and reducing US debt.

An article in the most recent edition of *Foreign Affairs* ("American Profligacy and American Power: The Consequences of Fiscal Irresponsibility") underscores this point. Richard Haas, president of the Council of Foreign Relations, and Roger Altman, a former deputy treasury secretary from the Clinton administration, warn that the US debt burden could prove catastrophic for American global interests by reducing Washington's ability to fund the military, increasing the economic leverage of US debt holders—particularly China—and undermining US influence abroad.

"It is not reckless American activity in the world that jeopardizes American solvency," the authors conclude, "but American profligacy at home that threatens American power and security."

The world is entering a new and more dangerous stage of the capitalist crisis. Behind the growing global conflicts lies the danger of a war in which the manipulation of currencies gives way to the exchange of bombs.

Among the principal factors underlying the global disequilibrium is the long-term economic decline of the United States. However, the American ruling class, utterly ruthless in the defense of its own material wealth, will not hesitate to use the two principal tools it still has at its disposal—the US dollar and the US military—to offset this decline.

Over the past month, and especially since the election, the Obama administration has taken a sharply more militarist posture—indicating an extended US military occupation of Iraq and Afghanistan, escalating its threats against Iran and hinting at war with China over its territorial disputes with Japan. The US is aggressively courting potential allies in a conflict with China. That this offensive coincides with a renewed assault on the American working class is not accidental—imperialism, Lenin noted, is reaction all down the line.

Within the framework of the present economic system, there is no peaceful way out of the impasse into which the ruling class is leading mankind. To the danger of war, the international working class must give its own response: social revolution.

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