# Gloom, recriminations at G20 summit in Mexico

Barry Grey
19 June 2012

An atmosphere of foreboding, paralysis and mutual recrimination hovers over the two-day G20 summit of the world's biggest economies, which began Monday in the Mexican seaside resort of Los Cabos.

Not even the victory of the conservative New Democracy in Sunday's Greek election, which seemed to avert an immediate run on Europe's banks, could provide any respite from the escalating European debt crisis. Recognition that any coalition pledged to uphold the austerity measures dictated by the European Union, the European Central Bank (ECB) and the International Monetary Fund (IMF) would be despised by a large majority of the Greek people and would be highly unstable, combined with fresh negative data on the Spanish economy, set off a new wave of speculation Monday that drove Spanish 10-year bonds to record highs of more than 7 percent.

Britain's *Telegraph* wrote: "With spreads on Spanish bonds now higher than those of Ireland, a fully fledged sovereign rescue—as opposed to the misjudged bailout-lite of last week's 100 billion euros for bank recapitalization—can only be a matter of weeks away."

Stock markets in Europe and the US could not manage even a single day's bounce from the victory of the openly pro-austerity New Democracy. They finished the day mixed, with the Dow falling 25 points.

The financial crisis in Europe and the deadlock among EU nations about how to deal with it is now combined with a generalized slowdown of production and growth in every part of the world. As the heads of government, finance ministers and central bankers assembled in Mexico, US manufacturing was declining along with job creation, recession was spreading across Europe, and growth rates were sharply down in the "developing" economies of Brazil (2.7 percent last year compared to 7.5 percent in 2010), India (a seven-year low of 5.3 percent), China and Russia.

A full-scale bailout of Spain would exhaust the EU's European Financial Stability Facility rescue fund while, most economists believe, paving the way for a downward spiral of Italy toward state bankruptcy.

Going into the summit, Germany remained adamantly opposed to demands from the US, Britain, France and the IMF that it subsidize a vastly expanded bailout of insolvent states in southern Europe in order to pump money into the big banks and investment houses that hold the bulk of their debt. Berlin continued to reject an array of palliatives—including euro bonds, a bank union, a bank repayment scheme, unlimited European Central Bank purchases of government bonds, a mutualization of European sovereign debt—while insisting that any so-called "growth" measures be contingent on a fiscal union.

This would entail the 17 countries that share the euro currency giving up much of their sovereignty and allowing EU institutions in Brussels, which would be effectively dominated by Germany, to have veto power over their tax and spending decisions.

In a speech to the German parliament last Thursday, German Chancellor Angela Merkel reiterated her opposition to euro bonds and declared that Germany did not have the resources to bail out Europe. Upon arriving in Mexico, she slapped down appeals from Greek New Democracy leader Antonis Samaras to renegotiate some aspects of the EU Memorandum on austerity measures that had been agreed to by the previous Greek government, which had included New Democracy.

A series of German and EU officials demanded Monday that a new Greek government abide by the terms of the Memorandum, while some hinted at a possible loosening of the timeframe for their implementation. Merkel seemed to pour cold water on even such a minimal concession.

The fact that the world's economic powers do not have a way out of the crisis, and are intent on pursuing policies that benefit their own corporate-financial elites at the expense of their rivals, is becoming increasingly obvious. Not even the savage attacks to date on the working classes of Europe and North America have sufficed to resolve the crisis, while generating mounting popular opposition that threatens at any point to erupt into social upheavals greater than those seen last year in Egypt.

The summary removal of elected government heads at the behest of the bankers has done nothing to forestall a worsening of the European debt crisis. Among those present at the last G20 summit, held in November 2011 in Cannes, were then-Greek Prime Minister George Papandreou and then-Italian Prime Minister Silvio Berlusconi. Both were removed for failing to make sufficiently deep cuts and replaced by unelected "technocratic" administrations.

The general back-patting and self-congratulatory rhetoric that accompanied the first several G20 summits after the Wall Street crash of 2008, when the major economies agreed to bail out the global banking system with trillions of dollars in public funds, have given way to bitter recriminations and gallows humor.

Britain's *Economist* magazine wrote in its lead editorial June 9: "When people are prepared to pay the German government for the privilege of holding its two-year paper, and are willing to lend America's government funds for a decade for a nominal yield of less than 1.5 percent, they either expect years of stagnation and deflation or are terrified of imminent disaster. Whichever it is, something is very wrong with the world economy. That something is a combination of faltering growth and a rising risk of financial catastrophe."

Professor Eswar Prashad of the Brookings Institution, after issuing a report concluding that the world economy was moving into reverse, declared, "The engines of world growth are running out of steam while the trailing wagons are going off the rails."

To say that expectations for the Mexico G20 summit are low is a major understatement. Reuters last week quoted an unnamed "senior G20 aide" as saying: "We will somehow get through it. But it's a disaster—the summit will achieve nothing."

Prasad said, "The Los Cabos summit faces the real risk of being seen as the nadir of the G20's ability to act collectively to ensure global financial stability."

Europe is more divided than at any time since the end of World War II. The tensions within the European Union are producing extraordinary eruptions of public acrimony between officials of different countries.

French Industry Minister Arnaud Montebourg last week declared, "We need an ECB that does its job." He then denounced Merkel and the "German right" for plunging Europe into slump. "Certain European leaders, led by Mrs. Merkel, are fixated by blind ideology," he said.

After Merkel remonstrated with Spain on Friday for letting a real estate bubble spin out of control, Spanish Foreign Minister Jose Manuel Garcia-Margallo retorted that Spain itself was the victim, having been flooded with cheap capital from northern European banks. "It is true that Spain and some other countries lived beyond their means, but that was because banks from the core made lots of money investing here," he said.

Four years after the collapse of Lehman Brothers, the paralysis and perplexity of bourgeois governments and the sharpening of conflicts within Europe and between Europe and the US, along with the continued growth of unemployment and poverty, demonstrate that the current crisis is a systemic breakdown of the world capitalist system. On the basis of private ownership of industry and finance and the division of the world into competing nation states—that is, the framework of capitalism—there is no way out other than military dictatorship and world war. The only alternative for the world's people is socialist revolution.