

G-Spots and the Planet: Global Bonapartism

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"We are left with the politicians who think poorly of us, and who stand back with chaos in their pale old eyes whimpering, "That is not what we wanted. No, it was not to have gone that way." They are old, but we have been very ill, and cannot yet send them away."

Bertram Warr (1917-1943).

When the Finance Ministers of the Advanced States set up the G7 in 1974-75, their tongues quivered with the taste of centuries of power. The Soviet Union had begun its plummet into obsolescence. Its collapse was held off by a decade through the rise of oil prices and the cannibalization of the remarkable achievements of an earlier generation. The Third World had threatened the established order with its demand for a New International Economic Order (1973), but that would quickly be dispatched through financial trickery, one that led directly to the massive debt crisis of the 1980s and the inflation of the power of Wall Street, the City of London and the Frankfurt Finanzplatz. No rivals stood in the way of the G7. The European and Japanese Ministers happily bound their economies into dollar seigniorage, with the euro and the yen now secondary currencies in the world of international settlements. The United States was the leading edge. Its wingmen stood around: Canada, France, Germany, Italy, Japan and the United Kingdom. Everyone beamed. The future was theirs.

Like Achilles, the G7 not only killed its Hector, the hopes of the rest of the planet, but it now tied the countries of Africa, Asia and Latin America behind its chariot and dragged it across the battlefield. Structural adjustment conditionalities, aerial bombardment: this was the loot and pillage of the era that opened up in 1975.

In late June, the G7 (with Russia, the G8) will meet in Toronto, Canada. This is its 33rd official gathering; it might be its final one. Alongside the G8, Canada will also host the G20. The G20 was formed in 1999 at the initiative of the "locomotives of the South," the BRIC countries (Brazil, Russia, India and China), South Africa (who joins them in another iteration, the IBSA — India, Brazil and South Africa) and Mexico. A smart fellow at Goldman Sachs coined the acronym BRIC, but it has stuck, and it means more than that quaint sounding term from the 1990s, "emerging economies." The G20 began as a "mechanism for informal dialogue." Circumstances favored a greater role: the global financial crisis from 2008 onward opened the door. The "advanced" economies turned for consideration to their creditors among the BRIC states. This moment of crisis pushed the G20 to ask for more than an informal status. At the 2009 G20 Summit in Pittsburgh, the eminences pledged, "Today, we designated the G20 as the premier forum for our international economic cooperation."

Canada, Japan and the United Kingdom are the least pleased with the demise of the G8, since this has been their major platform to assert their otherwise declined global presence (this applies in particular to Japan, which has seen its influence decline relative to the rise of China's authority). Because of these powers, the G8 might continue to meet, but it will not be able to act as the

executive committee of the G20. The others might not allow that. They can see the benefit of having China in the room, and India and Brazil. Keep your friends close, is the theory, but your enemies closer.

The Road to the High Table

Since the 1950s, it has been the effort of the Atlantic states to squash the march of political progress in Africa, Asia, and Latin America. Independent political action was frowned upon. The Dulles brothers felt that all this talk of “non-alignment” was simply a Trojan Horse for Bolshevism. John Foster Dulles shared bugbears with Winston Churchill. Both were obsessed with Communism, what Dulles called “godless terrorism.” One can imagine John Foster chuckling as Churchill says, “The failure to strangle Bolshevism at its birth and to bring Russia, then prostrate, by one means or another, into the general democratic system, lies heavy upon us today” (1949). If Russia finally entered the G7, and, despite its occasional bouts of independent thinking, went along with the Atlantic powers, the countries of the Third World project were less pliable. Even when they give themselves over to the broad outlines of the Atlantic project, they still do things that are unacceptable: as when Turkey and Brazil cut the deal with Iran on nuclear fuel.

Unwilling to be fully servile, the “locomotives of the South” have tried to make the most of differences among the G7 to edge their way onto the table. The weak link was France’s Sarkozy. In 2003, the French had already invited the Plus Five countries (Brazil, China, India, Mexico and South Africa) to the Evian Summit of the G7. At the next two summits (Gleneagles, 2005, and Heilingendamm, 2007) the G7 leaders spoke timidly of trying to “institutionalize the dialogue.” The Plus Five saw this as insufficient. Shortly after his installation as France’s President in 2007, Sarkozy put the case for the Plus Five. It was his Gaullist moment, to create some daylight between the Anglo-Saxon attack on Iraq and France’s “benign” colonial history.

In January 2008, at a meeting in Delhi, Sarkozy told business leaders, “At the G8 summit, eight countries meet for two and a half days and on the third day invite five developing nations – Brazil, China, India, Mexico and, South Africa– for discussions over lunch. This is injustice to 2.5 billion inhabitants of these nations. Why this third grade treatment to them? I want that the next G8 summit be converted into a G13 summit.” Sarko’s indignation stops at his borders. The third-grade treatment is acceptable to the racaille in the banlieues, but not to the leadership of their homelands.

The Plus Five states wanted a formal role in the G8, but that was not all. There is an old, unaddressed demand from them to bring democracy to the UN Security Council, where only five powers have a permanent seat and a veto (China, France, Russia, United Kingdom, and the United States). India, Brazil and South Africa, in particular, have called for regional representation – another Asian state, a South American one and an African one. The call has fallen on deaf years.

The other important demand has been for democracy in the IMF and the World Bank, two institutions that are dominated by the Europeans and the United States. As the country with vast surpluses, China has made the loudest noises, in the most genial way, for greater voting power in the IMF. At the Pittsburg meeting of the G20 in 2009, the powers gave the nod to open up the vote share in the IMF (the United States has the largest block of votes, 17 per cent, while China now has the sixth largest, with 3.7 per cent). “The voices of those countries is underrepresented, and their economies are developing very rapidly. If those facts are not adequately reflected, the IMF will not be able to maintain its credibility and legitimacy,” said Sadakazu Tanigaki the Japanese Finance Minister in 2006 (he is now the leader of the opposition Liberal Democratic Party, and likely Prime Minister if the LDP comes back to power).

Entry into the Executive Committee of the IMF, which is what has been gained, is of little value. It barely takes any decisions. It is a sleepy sinecure for Central Bank officials who are near retirement. The IMF's Independent Evaluation Office report from 2008 acknowledges this. In 2007, the German Minister of Finance, Peter Steinbrück, told the International Monetary and Financial Committee that Germany would advocate for "fair representation" based on "relative weight in the global economy." The problem is how one calculates that. The Indian Finance Minister P. Chidambaram felt that if GDP is the gold standard, then it must be converted using purchasing power parities. To quote Aerosmith, dream on.

The Lehman collapse provided the spur to bring the Plus Five to the high table. But the push for institutional reform predates the financial crisis. It comes from an earlier tradition, one articulated in the 1990 South Commission Report, *The Challenge of the South*, to push the locomotives to the front and hope that they will not ignore the challenges of the rest of the African, Asian and Latin American states, as well as the needs of the working peoples of the North. That was the game plan. The seats are now occupied, but it is unlikely that those who occupy them have either the subjective or objective pressures to champion the disposable peoples of the planet.

Capitalist Revisionism

The G20 met in Pittsburgh when it appeared possible that global capitalism might implode. Talk of global Keynesianism was in the air, and it looked like neo-liberalism was on its knees. The final communiqué from Pittsburgh did not disguise its true intentions, which was to use the stimulus to get over the slump and then return to business as usual. "We will avoid any premature withdrawal of surplus," the eminences wrote, "at the same time, we will prepare our exit strategies and, when the time is right, withdraw our extraordinary policy support in a cooperative and coordinated way, maintaining our commitment to fiscal responsibility." There is nothing here to indicate a fundamental course correction.

A real alternative was proposed in the UN Conference at the Highest Level on the World Financial and Economic Crisis and Its Impact on Development (June 1-3, 2009). It was a gasp from the UN Left – pushed by the General Assembly's President Miguel d'Escoto Brockmann and organized by former World Bank lead economist Joseph Stiglitz. They drew their judgment from an October 2008 panel that included India's Prabhat Patnaik, Japan's Sakiko Fukuda-Parr and Kenya's Calestous Juma. In April 2009, the Commission of Experts put out a set of recommendations. The text is 18 pages long. It called for the discussion to return to the G-192 (the UN), and conduct a colonoscopy of the financial system. It is now available from the New Press as *The Stiglitz Report* (Spring 2010).

The finance ministers of the G20, called the sherpas, met in Busan, South Korea earlier this month to create the agenda and draft documents for the G20 summit. The ministers met in the lush Paradise Hotel. They told the press that it was time for austerity. Yoon Jeung-Hyun, South Korea's Minister for Strategy and Finance, led the charge. In 1992, he had pushed South Korea's capital market liberalization. Yoon is a veteran not only of crisis creation, but also of crisis management (when South Korea begged the IMF and its creditors for leeway in the J. P. Morgan building in 1997). The Pusan text was interpreted by Yoon, "The recent events highlight the importance of sustainable public finances and the need for our countries to put in place credible, growth-friendly measures, to deliver fiscal sustainability, differentiated for and tailored to national circumstances. Those countries with serious fiscal challenges need to accelerate the pace of consolidation." The keyword here is "consolidation," which in the argot of the financiers means the reduction of government deficits and debt accumulation. Or, in almost popular language, the Pusan sherpas called for austerity.

The Greek financial meltdown provided the lesson. That Goldman Sachs had colluded with the Greek ruling elite to enable and mask its debt was not the issue. The lesson from the Greek debacle was that European countries had to hastily bring down their deficits. These deficits had to now be paid for not by higher taxes on the rich (or even more effective tax collection on extant rates), but by cuts in government social spending and on effective taxations of all kinds on the working-class. The consumption of the elite could not be touched, but the consumption of the poor, low as it is, is going to be curtailed. The newly elected Conservatives in the UK hastened to slash government spending, with the Conservative leader, David Cameron, telling his fellows to change their "whole way of life."

Angela Merkel's German conservatives were not far behind with their cuts; this after Merkel forced the Greeks to wield their own hatchet. An 80 billion euro cut will start the process, with more in the wings. "The direction is the right one," said an editorial in Bild, "The government is saving money on items it no longer wants to afford and that can only be financed through debt. Every private individual would do the same with his finances. The program isn't heartless." Actually, the program is brutal.

During the Pusan meeting, the IMF's Dominique Strauss-Kahn went to Spain to validate the austerity program of Prime Minister Zapatero. Both are socialists. Strauss-Kahn is the presumptive Socialist candidate for the 2012 election. He was the architect of the privatization program that doomed the last socialist government (led by Lionel Jospin). Zapatero is going to cut 15 billion euros from his budget. Spain is "moving in absolutely the right direction," anointed Strauss-Kahn. The new policies are a "shot in the arm." Even Merkel expressed her "full confidence in Spain." Not so the workers, who mimic their Greek comrades on the Spanish streets.

Obama sent his encyclical to the G20. He worried that Europe was too hasty in the turn to austerity. Obama cannot afford to follow them. He has neither the political capital nor the political will. In the past, he wrote, the "stimulus was too quickly withdrawn and resulted in renewed hardships and recession." Obama wants "credible plans," which means another route. He cannot afford to be outside, what David Cameron called, "the international mainstream" of debt management. It would look awkward.

Less awkward for Obama is to blame China. That is now an established art in Washington. The current theme is to demand that China devalue its currency, and thereby administer a reduction of its surplus dollars. There is a demand that the Chinese government needs to push policies that increase domestic consumption and reduce its domestic saving rate. The Chinese need to be made into consumers. They are too thrifty. Currently the personal consumption of the vast Chinese population is only 16 per cent of that of the U. S. population. If the Chinese were to become America, imagine the ecological stress. The champion of "green capitalism" has not thought that through.

Hu Jintao is a crafty politician. To forestall U. S. criticism, the Chinese have loosed the yuan's peg to the dollar. It will not do what Washington wants, but it will allow Hu to claim he has done what he can and yet do little. Beijing promised as much in April, before Hu's visit to Washington. Little came of it. The Chinese are equally unprepared to slow down on the stimulus - at \$585 billion, it allowed the Chinese economy to grow by 8.7 per cent last year. To manage the unrest in the country, the leadership has looked the other way during strike action against some of the export-processing firms. Hu has his own problems. He won't be Obama's sherpa.

At Toronto, the main card will be Obama v. Merkel. What the newly enfranchised G20 will do is unclear. It has a place at the table, but it has none of the vision of the Bolivarians (Venezuela wants to close down the IMF, and Ecuador has defaulted on the Odious Debts). Neither do the "locomotives of the South" have an agenda in common. Will they be spectators, watching Obama and

Merkel circle each other, or will they offer a third way, perhaps putting forward a few of the proposals from the Stiglitz Report? I put my money on them being spectators, but I'd love to be wrong.

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