

Global Capitalism in Crisis: Empty Commitment by G20 to Boost Global Economic Growth

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Global Research, November 17, 2014

[World Socialist Web Site](#)

Theme: [Global Economy](#), [Oil and Energy](#)

The communiqué issued at the end of the G20 summit held in Brisbane, Australia, over the weekend stated that agreement had been reached among the participants, whose countries comprise 85 percent of the world economy, to boost global growth by an additional 2.1 percent over the next five years, or more than \$2 trillion.

However, any serious examination of the state of global capitalism or even the communiqué itself and its associated documents makes clear the commitments will be honoured only in the breach.

Both the International Monetary Fund and the Organisation for Economic Co-operation and Development poured cold water on the goal, pointing to “the high degree of uncertainty in quantifying the impact of members’ policies.”

The G20 leaders met after a year in which an array of economic data pointed to the growing stagnation and outright recession in the world economy and the increasing risks of another financial crisis, the consequences of which would be even more devastating than those of 2008.

Moreover, the summit was held amid growing geo-political tensions, arising from the renewed US military actions in the Middle East and the sanctions imposed on Russia which are further worsening the global economic outlook.

The communiqué pledged G20 members to work in “partnership” to lift growth and boost economic resilience. But major participants, including British Prime Minister David Cameron, Canadian Prime Minister Stephen Harper, Australian Prime Minister Tony Abbott and US President Obama, lined up to denounce Russia and threaten further sanctions aimed at crippling its economy, the ninth largest in the world.

The contradiction between economic reality and the commitments to boost growth jump out from the very text of the communiqué.

It begins by stating that raising global growth to deliver better living standards and quality jobs for people across the world is “our highest priority.” However in same paragraph, after noting that global growth is not delivering the jobs needed and the economy is being held back by a shortfall in demand, it points to the persistence of risks, “including in financial markets and from geopolitical tensions.”

Not a small component in the shortfall in demand results from the program of austerity being implemented by all major governments as they claw back the debts incurred as a

result of bailing out the financial system and banks following the global meltdown of 2008.

The risks to which it points arise from the actions of the major powers themselves. Dangers to financial markets arise from the collapse of the asset bubbles, reflected in the rise of US stock markets to a record high, which have been created by the actions of the world key central banks in placing trillions of dollars at virtually zero interest rates in the hands of banks and financial speculators.

The geo-political risks, in the Middle East and Eastern Europe, are rooted, above all, in the drive by the United States to use military and economic power in its drive to maintain its global hegemony.

The measures set out in the communiqué are themselves internally contradictory. On the one hand, it states that G20 members will “ensure our macroeconomic policies are appropriate to support growth, strengthen demand and promote global rebalancing.” However the next sentence states that they will strive to put “debt as a share of GDP on a sustainable path”—the code phrase for continuing spending cuts that drive down demand and lead to deflation and stagnation.

The summit adopted a Global Infrastructure Initiative, declaring that it “recognises that we are facing investment and infrastructure shortfalls in the global economy which will grow further if we do not act.” But there is no prospect of co-operation and collaboration in the development of such projects.

On the eve of the summit, the Obama administration heavily intervened to ensure the Australian government reversed its in-principle decision to become a founding member of the Chinese-based Asian Infrastructure Investment Bank on the grounds that roads, ports and other facilities financed by the bank would enhance Chinese military capacities in the region.

The focus of the G20 measures is not the boosting of economic growth but so-called structural reforms. These have two related aims: to reduce government regulations on the operations of businesses and to worsen conditions for workers, through so called “labour market flexibility.”

In his preview of the “growth plan,” Australian treasurer Joe Hockey said that as monetary policy and fiscal policy had reached their limits, the focus had to be on “structural reform.”

An article published in the *Australian Financial Review* on the eve of the summit, by Richard Goyder, the chief executive of the Australian corporation Westfarmers and head of the B20 group of business leaders, made clear what that would entail. He said there was “work to be done to encourage labour market flexibility” and “workforce adaptability.”

The type of measures to be adopted was indicated in the Australian commitment to the G20 plan. It included government proposals to charge higher fees for university education and to force young unemployed people to wait for up to six months before receiving any government benefits.

The complete absence of any sense of broad-based collaboration to lift the world economy was exemplified in the extremely crass remarks by Abbott to the leaders’ retreat held shortly before official proceedings began.

As the leader of the host nation, he said the task of the summit was to “instil more confidence in the people of the world.”

Abbott then began his own five-minute contribution to the discussion by declaring that his government has carried out its election commitment to stop refugee boats arriving in Australia and had repealed the tax imposed on carbon by the previous Labor government.

He went on to bewail the fact that as part of its so-called reform agenda the government had so far been unable to introduce a \$7 co-payment for visits to a doctor or deregulate university fees.

While they were a particularly graphic display of narrow nationalism, if not parochialism, Abbott’s remarks were at the same time an expression of the agenda of all the summit participants. Their actions are not determined by the need for global co-operation but by the needs of their own national-state.

National interests were to the fore in the discussions on climate change. There was a redrafting of the final communiqué to include a recommendation for countries to commit funds to the United Nations Green Climate Fund after what were described as “difficult discussions” and even “trench warfare.”

The Abbott government has specifically opposed the fund, describing it as “socialism masquerading as environmentalism,” and the prime minister was reported to have made a passionate defence of the fossil fuel industry.

However, the United States is in a different position as result of the development of the shale gas industry. Consequently Obama was reported to have forcefully opposed Abbott on the question of coal and coal-fired power stations.

The dispute was an example of the conflicting national interests which render all the wordy commitments to co-operation and collaboration to lift the world economy a dead letter.

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