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ECONOMIC NEWS UPDATE

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Conferring is Not the Same as Coordinating

“...Reduced cost of Government, adequate Government income, and ability to service Government debts are all so important to ultimate stability.... The United States seeks the kind of dollar which a generation hence will have the same purchasing and debt-paying power Our broad purpose is the permanent stabilization of every Nation’s currency...”.

So wired Franklin D. Roosevelt to the representatives of the 66 nations attending the London Economic Conference on July 3, 1933. Sailing on his yacht at the time, the President decided

to torpedo British Prime Minister Ramsay Macdonald’s plan for international action to deal with war debts and currency stabilization. Fast forward 65 years and another British Prime Minister, Gordon Brown, comes to Washington to tout the need for a conference of the G-20 nations to coordinate a response to still another economic recession. Brown is less concerned about maintaining the value of his currency than that old dissimulator FDR professed to be. Good thing. Neither is Barack Obama: both men are of the borrow-and-spend school of economic thought that might

in the end drive down their respective currencies.

Brown needs a successful, or at least big and glitzy international conference for other reasons, not least among them the political uplift to his fading political fortunes that a sprinkle of Obama stardust might provide. Enough cynicism. Equally or perhaps even more important is the Prime Minister's firm belief in the need for international coordination and a strong stand against protectionism. So he is relieved to have avoided Macdonald's fate: the American President will attend the April 2 London conference of the G-20 nations.

The important question is whether the conference can achieve its goal of organizing a coordinated response to the world recession. There are reasons to doubt it.

The first is that Brown's plea last week to a joint session of congress to avoid "a protectionism that ... in the end protects no one" fell on deaf ears. The White House and the congress have assured their trade union funders that Doha is dead, and there will be no more trade-opening measures. Indeed, existing agreements are to be tightened. Washington has more in

common with French President and protectionist Nikolas Sarkozy than with free-trader Brown when it comes to trade.

The second obstacle to close cooperation was made clear by the President in his press conference with the Prime Minister. Brown talked of grand bargains, a global new deal. Obama spoke vaguely of better coordination of financial regulation, and expressed no enthusiasm for coordinating US recovery efforts with those of the European Union, except to call on Britain and Europe to do more. The President faces a bail-out-weary congress, and one that wants any additional borrow-and-spend directed at the plight of America's homeowners. Indeed, even when it comes to regulation, the White House and key congressional figures let it be known that America has no intention of ceding any of its regulatory powers to an international body. Perhaps the only area of solid agreement was a distaste for "tax havens" -- you know, those places to which over-taxed individuals and corporations can (so far) legally flee. Nothing appeals to the leaders of nations such as high-tax Britain, and soon-to-be-high-tax America as the possibility of a cartel able to

impose its policies by disciplining “cheaters” who offer a haven from excessive taxation.

The third obstacle in the path of a successful conference is money. The Prime Minister and his European colleagues want a larger role to be assigned to international institutions such as the International Monetary Fund and the World Bank. But that would mean a larger contribution from cash-strapped Obama, which is not in the cards, especially since America is already under-represented at the IMF, and the administration is taken with the scathing criticism of the IMF from economists it respects, such as Nobel laureate Joseph Stiglitz.

Fourth, Obama has no sentimental attachment, either to Britain or to Europe. He politely referred to Britain as a staunch ally, and has a broadly leftist ideology that is closer to the European social democratic model than to the American market-capitalism model, but other than that he is a “whatever works” sort of guy, to borrow from Tony Blair. Which is why his primary attention is on Asia, where Japan and China must continue to purchase Treasury IOUs in the trillions if the Obama domestic

program is to be financed. It is no surprise that Japan’s Prime Minister Taro Aso beat Gordon Brown for the prize of first foreign leader to be granted access to the Obama Oval Office. Or that Hillary Clinton slid over the little matter of China’s human rights violations when she visited the regime’s leaders.

Finally, Obama knows that his presidency is doomed if there is another attack on the homeland that George Bush kept safe for seven years. That is why he has felt it necessary to make the war in Afghanistan, home of plotters aiming to do harm to America, Obama’s War. So he wants more troops from his European allies. And troops that will fight, not merely “reconstruct”, or patrol pacific areas, or remain in barracks at night. But the Europeans are having none of it, which Obama -- who already knows this -- will have officially confirmed to him at the NATO meetings to which he will fly immediately after the G-20 session adjourns. “Ask not what we can do for you,” he will be told, “ask instead what you can do for us.”

None of this is to deny that there is a thaw in US relations with the rest of the world. Obama is willing to sign on to some agreement to stem

global warming; he is winding down American troop strength in Iraq (although not by as much as his left would like); he has expressed a willingness to abandon the interests of former Soviet satellites, to cheers from German and French business interests; he has professed a renewed interest in solving the Israeli-Palestinian dispute, perhaps by wringing from Israel still more of the concessions that so many European governments repeatedly demand of it to appease their Muslim populations. Most encouraging to the European attendees, the President's first budget reflects his expansive view of the role of the state relative to the private sector that they have always seen as the preferred alternative to "red-in-tooth-and-claw" American capitalism.

The G-20 meeting will undoubtedly end with a communiqué promising international cooperation to revive the world economy. That won't do. As Tim Geithner learned, or should have learned, vague statements of good intentions, with no specifics, demonstrate that the authorities have no idea what to do. Animal spirits are dampened. The markets sell off. That could well be the effect

if the G-20 fails to come up with a specific recovery plan. Which is likely. After all, the members of the EU can't even agree among themselves on an anti-recession package.

So, unlike FDR, Obama will indeed trek to the London conference. But he enters with little reason to do a lot of coordinating, and with his own party distinctly uneager for him to be distracted from economic problems at home. Our President might just leave the conference confirmed in the view that a go-it-alone strategy suits him -- announced in the politely ambiguous manner that is the new President's hallmark.

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